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NATIONAL POLICY AND ISSUES

'JINGJI YANJIU' ON RESPONSIBILITY SYSTEMS

HK121001 Beijing JINGJI YANJIU in Chinese No 10, 20 Oct 82 pp 71-74

[Article by Zuo Mu [0146 2606]: "The Theory of Distribution According to Work and the Practice of the System of Production Responsibility"--passages within slantlines published in boldface]

[Text] In recent years, industrial and agricultural production departments have been involved in the fairly widespread implementation of systems of production responsibility which involve output based reward systems, as well as large-scale systems of task responsibility. In this way, the system of remuneration has been changed and the system of distribution has been brought even closer in line with the level of the present stage of China's productive forces. These moves have already brought about very good economic results. This change in method of pay calculation is of such significance that this article will offer some theoretical explanation in the following three respects.

//I. The Development of the Productive Forces is Very Unbalanced, Remuneration Systems Must Be Multiplied.//

The establishment of the system of public ownership of the means of production in a socialist society means that there must be an implementation of the principles of distribution according to work with regard to the consumption funds of the individual. Such distribution must be carried out according to the quality and quantity of work. But how can one calculate or assess the quantity of work? This is the basic question concerning remuneration methods or styles. According to the principles of Marxism, the quantity of work is assessed by the number of hours worked by an individual. Distribution according to work therefore means that the producer "provides society with a quantity of work in one form and gets it all back in another form."* In literal terms then, the systems of evaluating work and allotting work points previously popularised in agriculture, as well as the time wages system that was previously implemented in industry, were both in keeping with the principles of Marxism. The

*Marx--"Selected Works of Marx and Engels," Vol. 3, p 11.

varying quality of work was expressed by such factors as rank and so on, while the length of working hours illustrated the quantity of work. However, although there were some good results, there were also some bad ones. Why was this? In my opinion, the answer lies in conceptions about Marxist theories of remuneration, which take modernized large-scale industry as their base, whereas within our industrial departments, and especially within agriculture, handicraft work still abounds. This puts very great restrictions on the system of allotting work points according to work evaluation—one direct method of assessing the quantity of work according to work time. Because of this, it was not possible to develop it into a widespread, applicable method of remuneration. Take a factory boiler room as an example. There are different ways of stoking the boiler with coal. One way is to use automatically operated coal stoking machinery where the worker sits in the operating room and performs according to the operating rules. In this situation, implementation of the system of time wages requires of the worker only that he or she stick to his or her post and work in strict observance of the operating rules. However, in many factory boiler rooms, coal is moved manually, shovelful by shovelful. In this situation, it would not be sufficient to implement a system of payment according directly to work hours, since it would not avoid the problem of people turning up for work but not actually working. What is needed is the implementation of quota remuneration or production-related remuneration, thereby setting specific quotas or concrete targets and carrying out, where possible, the system of piece rate remuneration. Implementing the systems of quota remuneration or production related remuneration means that more work earns more money and surpassing targets means rewards or bonuses. In this way, the workers will concern themselves with the fruits of their labor for the material benefit of everyone and it also provides an effective way of assessing the quantity and quality of work. This is all extremely helpful in trying to overcome problems such as those who loaf around on the job, etc. With a system of work points according to work evaluation or time wages the producer carries out his or her planned work according to assignments issued by the leaders when predicted economic results are not obtained or even when ineffectual work is carried out, work still has to be assessed and wages paid. Under such circumstances, many producers and administrators adopt a very negligent attitude toward the economic results within their enterprises. Thus bad leadership and bad work allocation often produce forced idleness and wastage over long periods of time, simply because of this poor organisation. The implementation of quota remuneration, and especially production related remuneration will clarify the responsibilities of the producer and the leader while strengthening initiative and the sense of duty, thereby greatly cutting down on ineffective work. Ineffective work is also easy to avoid because it does not create output and thus there is no recognition of work carried out. Such implementations are extremely effective in improving economic results.

In general then, looking at the present situation in China, although we have modernized and autonomized production, we also have semi-mechanized

and a great deal of handicraft production. These kinds of imbalances in the level of the productive forces require many different styles of responsibility systems as well as diversified systems of remuneration. There is a need for time based remuneration as well as quota remuneration, production related remuneration and systems of task responsibility. Another possibility is to integrate the quota remuneration system and the production related remuneration system so as to relate production related responsibilities to groups and quotas to individuals. The principles of distribution are still based on work distribution, while the concrete methods of remuneration vary according to different regions and types of work. This kind of flexibility further integrates China's present situation and the socialist principles of distribution according to work, making distribution relations more suited to the actual state of the productive forces and not influencing the socialist quality of the enterprises. Correct implementation of the principles of socialist distribution may truly be considered as a great break through.

//II. The Contradiction Between Principle and Practise and Ways of Resolving This Contradiction.//

The implementation of production linked remuneration ties the worker's income to output and thus encourages everyone to use all possible means to raise output. Implementation of the system of economic responsibility ties both profit surplus of industrial enterprises and individuals' bonuses with profit quotas, thereby encouraging enterprise workers to strive to increase economic results. However, due to objective factors, what often occurs is that equal amounts of enthusiasm do not always produce equal amounts of economic results, thereby creating a new contradiction. What are the objective factors? 1) Because production conditions are not always the same, the same amount of work will not always produce the same output. For example: if profits are good then economic results are good too; 2) since there is often a deviation between value and price (this deviation is unavoidable under many conditions of product manufacture and is thus an objective necessity) many similar kinds of work, listed differently in various enterprises and administrations such as agriculture, industry, etc, produce completely different profit revenues.

Everyone knows that the system of public ownership of the means of production means that, within certain limits, the principles of allocation according to work must be implemented as "equal pay for equal amounts of work." Those people whose revenue is restricted by these objective factors (not work factors) would criticize remuneration and bonuses related to output (or profits). The contradiction between the principles of distribution according to work and production linked remuneration arises because of the existence of product manufacture and because this is not remuneration directly according to work time. What can be done? Of course, it would not be right to turn around and revert to old methods, instead what is necessary is the implementation of suitable readjustments to the standards of quota remuneration and production linked remuneration according to the

principles of distribution according to work, thereby bringing about correct integration between the exchange of equal amounts of work and the exchange of equal value.

But how is the correct integration of these two types of exchange to be brought about? I feel that within the realms of distribution according to work (such as in a collective enterprise with independent accounting and sole responsibility for profit and loss), the distribution of each individual has contributed so that those who have contributed equal amounts of work may receive more or less equal remuneration, thereby basically bringing about the exchange of equal amounts of work. At the same time, we must also take a look from the realistic conditions created by existing product manufacture and thus integrate the extent of each individual's work achievements with the actual extent of the value of the work products, thereby producing clear differences in workers' remunerations. In this case, actual work has already given us some concrete experience which demands our fullest attention.

For example, in production teams with a relatively high level of economic development (such as the Suzhou region), the members of the same production brigade, regardless of whether they were carrying out agricultural work, agricultural by-products work or industrial work, were all assessed according to their work strength and level of technological know-how and were allocated work points based on the actual time they spent working. Distribution at the year's end was thus carried out according to the cash value of the work points. At the same time, differences in bonuses were worked out according to differences in economic results and the actual value displayed by a product, as well as profits gained, so that workers in every enterprise had the potential to try and achieve overproduction. In general, work remuneration in industry tended to be slightly higher than in side industries, while remuneration in these was slightly higher than in agriculture. Grass roots cadres call this method "base points equal, everyone jumps for the dragon gate." This is not egalitarian when practised in a basic accounting unit. It is simply equal amounts of work getting equal pay, while egalitarianism is always unequal amounts of work getting equal pay. If base points are not equal, then agricultural workers would not be happy tilling the soil and industry would have no way of developing. On the other hand, if one does not consider at all the production value and profits created by each worker and one implements totally the system of equal pay for equal amounts of work, it would be impossible to encourage the workers to concern themselves with economic results for the material benefit of every individual.

We can see that under the conditions of product manufacture, it is not possible to carry out "complete" distribution according to work with regard to the consumption funds of the individual workers. It is only possible to carry out basic distribution according to work and integrate the two systems of distribution according to work and distribution according to work achievement onto it.

Another example would be the industrial sector enterprises. Here, the workers' bonuses are generally linked to profits. The reason for this is that our economic responsibility system was built up from financial responsibility and therefore still lacks concrete rules in relation to other areas of responsibility such as product variety, quantity, quality, energy consumption, etc. Since profit rates vary within each enterprise, a simple linking of bonuses to profits results in variations between the income of different workers. Under these kinds of conditions, different handling of the profits of each enterprise produce different sets of rules, with relatively good results. For example, in an enterprise which suffers losses through policies, implementation of quota allowances would reduce losses and retrieve gains. Undertakings with small profit margins either hand over all or a large proportion of their profits to the enterprise. Enterprises with fairly high profits hand over rather more to the government to illustrate their greater contribution to the state. The advantage of this method is that fundamentally and within set limits (such as systematic state industries) it supports the exchange of equal amounts of work between workers of an enterprise and the adoption of distribution according to work. At the same time, it integrates the size of profits and output, thereby ensuring differences in remuneration of workers doing similar jobs or on similar levels. Those enterprise type companies which run on joint responsibility for profit and loss carry out "internal pricing" between the factories of each company with the aim of avoiding too great a difference in the remuneration of unfinished and finished product producers, thereby also basically giving support to the principle of exchange of equal amounts of work.

The above analysis shows us that when we adopt the principles of socialist distribution, the concrete changes in the system of remuneration still need objective restrictions to be laid down. No matter whether it is quota remuneration, piece wages, output linked remuneration or profit related remuneration they should all support the basis of quantity of work and integrate the extent of work achievements in order to establish remuneration quotas. Taking quantity of work as a fundamental and giving it support is also a sign of support for the principles of socialist distribution according to work. Only under these premises can we recognise the influence of factors not to do with work in order to be able to move towards profits and avoid losses, help to raise work enthusiasm and promote the development of production.

III. //How to Recognize the Characteristics and Advantages of the System of Large-Scale Responsibility in Agriculture?//

Such a system produces two main characteristics. 1) The method of handling deductions so that hard workers receive more and are not affected by deductions; 2) the cessation of collective distribution of that amount ('which comes back to oneself') which directly becomes a part of the workers' wages.

To make this clearer, let us first take a look at the often overlooked question of deductions. Everyone knows that, as Marx said, the distribution of the individual's consumer products under socialist conditions occurs after many kinds of deductions to society's products in general. Thus in terms of the individual worker, the greater the contribution in terms of quantity of work, the greater the deductions, thus contribution to society and the collective also become greater as does the glory of the worker. In relation to China's agricultural production situation, since handicraft work is the most important, production rates are not very high so the amount of surplus work supplied by each individual is less. Here then, the question of the limits of the amount of deductions is a very pointed one. Fewer deductions are not good for the collective economy nor for the entire socialist construction cause, whereas larger deductions affect workers' enthusiasm. Thus an important question then is how to handle the relations between state, collective and the individual--it is of particular importance in forming the policy of distribution on rural areas. For a long time in the past, costs of all sorts were very high in rural areas, meaning increases in deductions, with the peasants carrying most of this burden. Since these deductions were set after the harvest and not before, they were not well planned and most crooked money for cadres and the such all came from the collective coffers. Obviously this greatly affected the many workers taking part in collective work. The system of great responsibility means that deductions are made beforehand in a planned way. A phrase which could sum up this system is "having guaranteed the state's, having fulfilled the collective's, all the remainder is one's own." The peasants have demonstrated that they are most interested in the last few words of this phrase "all the remainder is one's own." In the old method of distribution more work meant more money but also more deductions. With the new system of task responsibility more work means more money but deductions do not increase. It is common knowledge that this has greatly motivated the peasants' enthusiasm to work. In fact, one could say that the system of task responsibility takes "deductions first" as its chief characteristic as well as its main advantage.

Furthermore, this system of task responsibility is linked with the individual administration on the basis of collective economy. Thus, that portion of products or funds which returns to the individual workers' wages can be organized in many different ways. Basically there are two main ways. 1. That portion which is collectively budgeted and often referred to as "joint" is still related to work points for output, production value or profits and distribution takes place at the end of the year according to work points earned. The remainder returns directly to the worker and is not "jointly" redistributed. This method when carried out on production teams in subsidiary industries with well developed production and numerous production items, as well as detailed work allocation, includes collective distribution of unified cash value of work points, resulting in a balance between the wages of workers in each enterprise. It is thus reasonable to retain the work point system in these areas. This part, which is subjected to unified distribution, is obviously part

of the exchange of equal quantity of labor and falls under distribution according to work carried out by collective enterprises.

2. Work points are not recorded and the remaining portion is not handed over to the collective, nor is any other course taken to carry out collective distribution, instead it returns directly into the workers' wages. The advantages of this method are that not only does it greatly simplify the distribution method according to work points gained, it also alters the contents of the exchange. Since administration is spread around all the workers and responsibility for success or failure is individually carried, it means that different amounts of work done will not produce the same results. Since some people can administer rationally and others cannot, different amounts of funds are invested, some appropriate some inappropriate and results are never likely to be the same. Differences in the first year of the system of task responsibility are often not clear. During the second and third years the differences become greater and more apparent. This is correct, but something else should be added, namely, that while this system means more work produces more wages, it also means less work can produce more wages and more work will not necessarily bring more wages. Receiving more wages not only depends on the amount of work carried out, it also depends on the amount of funds invested as well as the ability to carry out administration. It is this point exactly which not only activates the peasants' enthusiasm but also increases the peasant's enthusiasm to improve the administration, as well as their enthusiasm to invest in agriculture. It also helps them realize their creative capacities, thereby proving that this system of task and production responsibility in agriculture is much more suited to the present level of development of the agricultural productive forces than the previously carried out system of distribution according to labor known as the "purity attitude." Thus we are correct in thinking that the portion of the profits known as "returned to oneself" does not undergo collective redistribution and it is this that is the second characteristic and advantage of the system.

We should point out that, because of this "return to oneself" portion, there is an equality between the work invested and the profits so that equal quantity of work cannot obtain equal results. This, in theory no longer belongs to the realms of distribution according to work.

Thus, a portion of products undergo distribution according to work, while another portion does not but instead returns directly to the workers' wages. Can this influence the socialist qualities and character of the system of task responsibility? I feel it can not do so. 1) Essential production materials are still collectively owned and are distributed fairly according to the work force or the population; 2) the "unified" portion mentioned earlier goes into socialist construction and increases public accumulation, thereby expanding the collective economy; 3) a very important point is that production, supply and consumption are all carried out according to state planning and under collective enterprises joint

organisation and leadership. Products, then, are essentially all exchanged in the unified socialist market. With this knowledge we can then safely confirm that the system of task responsibility is the same as other systems of responsibility in that they all have a socialist nature to them. Of course, this is still not complete or unadulterated socialism, for the portion known as "returned to oneself" is not, in a classical sense, distribution according to work. This should be borne in mind. Some comrades do not find this very easy or nice to hear and would prefer to think that the system "completely" embodies the principles of distribution according to work or is "even better." Although these people have good intentions, what they say is not actually true. For such thinking could not only damage the true theory of distribution according to work, but in addition it could mean that we would find it difficult to grasp the true character of all the different styles of responsibility and as a result find it difficult to seek ways of improving the systems.

Author's work place: Jiangsu Provincial Committee.

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NATIONAL POLICY AND ISSUES

'JINGJI YANJIU': PRODUCTIVE FORCE, PRODUCTION RELATIONS

HK110932 Beijing JINGJI YANJIU in Chinese No 10, 20 Oct 82 pp 43-45

[Article by Xia Zhenkun [1115, 2182, 0981]: "On the Mutual Interaction Between Productive Forces and Production Relations"]

[Text] How Productive Forces Can Act on Production Relations

Productive forces and production relations both have several arrangements, all of which mutually interact with the result that productive forces and production relations form an intimate dialectically united whole. All of the essential system coordinations of the productive forces belong to the first arrangement of the productive forces, i.e., an intensional level. That part of the production relations system known as "public ownership of the means of production" also belongs to the intensional level on the production forces. These two intensional levels do not directly generate relations and nor do they have to directly generate relations. Just as two cells do not directly generate relations within their cell nucleus, but are instead linked by cellular filaments. Two machines are not directly connected to their generator, but are connected by connection equipment. Our task therefore is to discover what levels of mutual linkage these two intensional levels must pass through to achieve material and informational interflow between them.

On examination of the process of movement between the productive forces and production relations, we find that outside the intensional levels of both there exists an external level and between the external levels of both there exists a periphery level. The productive forces define the production relations by passing through this periphery level. We will now examine in more detail the actions and movement of these levels.

The external level of the productive forces is the manifestation of the intension of production relations. I feel that the intensional qualities of the production forces collectively represent the extent of integration between the tools of production and the work force. Varying degrees of this kind of integration show themselves in two concrete forms, namely the extent of coordination in labor and the extent of control in the labor process. In other words, the intensional qualities of the production forces decides the extent of integration between the production tools and the work

force. The extent of integration between the production tools and the work force in turn decide the extent of coordination in labor and the extent of labor control. In general, then, the greater the intensional qualities of the productive forces, the greater the extent of labor coordination. Under conditions in which labor is coordinated, each individual worker must carry out coordinating actions. These coordinating actions necessitate coordination in work efficiency and indeed must guarantee the coordination of work efficiency, thereby producing the need to exercise control over the labor process. Human societies from ancient times to modern capitalism have passed through every stage of integration between the production tools and the labor force in coordination with the endless qualitative changes that have taken place in the intensional quality of the productive forces. In each of these stages, the level of integration had a correspondingly suitable level of coordination and labor control. In ancient times it was the mutual integration between bronze-age tools and the instinctive labor forces. Corresponding to this level of integration was mandatory coordination or production cooperation; human control was exercised over the work process. In the middle ages it was a question of integration between iron tools and experienced work forces. Corresponding to this level of integration was coordination without continuity or seasonal coordination. At this point extraeconomic control was exercised over the labor process. In modern times it is a question of mutual integration between simple machinery and semi-specialized labor forces. Coordination has developed to a regular and fixed state, or all-round coordination and now supervisory control is exercised over the work process. In this present stage of capitalism the level of integration is that of machine systems with an expert work force. Development into socialised coordination or super-departmentalised coordination sees "behavioural control" exercised over the work process. Thus our analysis has reached the brink of the peripheral level.

This peripheral level includes the style of labor organisation and the style of the system of production responsibility, statistics and surveillance of the amount and quality of labor, product quantity, material benefits and many other factors such as workers' enthusiasm, etc. These key elements are on the one hand decided by the level of labor coordination and the level of labor control and yet on the other hand are affected by the reaction of the concrete style of production relations. Thus anything which has these double attributes of the productive forces and production relations is called the periphery level.

How does the level of labor coordination and the level of labor control decide the state of the periphery level? First, specifically-defined levels of labor coordination decide specific styles of labor organisation and corresponding specific styles of production responsibility systems, the level of the latter being able to exceed the level of the former, otherwise the potential to control the labor process would drop and it would be difficult to ensure labor efficiency and hard to coordinate the labor process. As a result production would fall behind and product

quantities would drop, resulting in a drop in material benefits and workers' enthusiasm as well as a series of other related reactions. Second, it is the extent of labor cooperation and the extent of labor control corresponding to specific intensions of the productive forces as well as styles of labor organisation corresponding to these levels which decide the extent of statistics and surveillance of the amount and quality of labor. The extent of statistics and surveillance of the amount of labor is obviously closely linked to the existing cultural level. But, in very basic terms, if the ability to control the labor process is lacking at all then labor is badly organised, thus labor responsibility cannot be reliably divided, therefore presenting an even less reliable material premise for the accuracy of statistics and surveillance of the amount and quality of labor. Thus the ability to control the labor process and the intimacy of the organisation of labor is restricted by the level of the productive forces. If the level or extent of labor coordination as well as the style of labor organisation and the style of the system of production responsibility (which are both defined by the level of labor coordination) surpass the level of the productive forces then a situation could arise in which control is lost over the labor process and the system of labor responsibility becomes very confused and unclear. In such a situation the statistical surveillance of the amount and quality of labor becomes very much more haphazard and such haphazardness could be "refracted" into product distribution, thereby directly striking at the material benefits of the workers, causing enthusiasm to drop and blocking the development of production.

The above is a rough outline of the way the external level of the productive forces decides the periphery level. How does the intensional level of the productive forces decide the external level of the production relations by way of the periphery level? First, the style of labor organisation decided by the specific level of coordination, along with its mutually corresponding style of arrangement of the means of production, demands it, otherwise there can be no effective integration between the worker and the means of production. When we examine the historical development of the productive force, under conditions of individual labor, if direct allocation of individual workers with backward handwork tools was desired, the production process only worked effectively under this kind of individual direct integration. As the productive forces developed and the era of integration between simple machinery and semi-specialised productive forces arrived, a coordination style known as "workshop handicraft industries" appeared. Under these conditions, the productive forces began to take on the "serialisation" as well as the coordination of the labor process while individual, direct allocation of workers to the means of production continued to be carried out. This exasperated even more the development of the productive forces with the results that it was necessary to introduce collective, direct allocation of workers to the means of production. Because of the private possession of the means of production by the capitalists, the basic contradiction between the highly socialised coordination of the labor process and the production process against the private ownership of the capitalists and the allocation of the means of production created periodic

economic crises. Although the capitalist classes did their utmost to carry out nationalisation, state intervention and internal enterprise "behavioral sciences" in order to alleviate the contradiction, there was no way to totally eradicate this fundamental contradiction. The only way to eradicate this contradiction was by implementing socialist changes in order to unite the highly socialised and coordinate productive forces and workers and put them into collective, direct possession of the means of production. Second, the level of statistical surveillance of the amount of labor, decided by specific levels of coordination and levels of labor control, along with its corresponding style of product distribution also demands it (i.e., the decision by the intensional level of the productive forces concerning the external level of production relations). Otherwise the worker would find it even harder to obtain the material benefits corresponding to the amount and quality of his labor, and his enthusiasm would again be dampened, again blocking the development of production. For example, the style of allocation of business accounting in village communes and brigades does not work in other areas, and has only proved effective in the suburbs of a few large cities. The key to this is that if most units carry out distribution and allocation as communes and brigades do, then it is not possible to fully guarantee an amount of work to a person and this is particularly true for statistical surveillance of quality and thus there is no way to ensure distribution according to work. In a few advanced regions, the relatively high level of mechanization and production specialization as well as good organisation of the labor process and clarity of the responsibility system has meant that the statistical surveillance of labor quantity and quality now possesses a fairly good material foundation. In addition, the cultural level of these areas is relatively high while administrative strength is also good, hence the potential becomes greater for implementing unified systems of business accounting and styles of allocation of distribution both on larger scales.

Thus as the "levels arrangement" between the productive forces and the production relations advance and develop we can see how the intensional level of the productive forces passes through the external level and periphery level in order to decide the external level of the production relations (the concrete form of the production relations).

Under What Conditions Can the Production Relations Promote the Development of the Productive Forces?

The catalytic role of production relations on the productive forces is both conditioned and intermittent. In order to clarify this point, it might be a good idea to compare the situation in some of China's villages before and after the implementation of the production responsibility system.

Before the implementation of this system, workers in many regions had no direct allocating power on the means of production and the labor process, regardless of whether they were in state farms or communes. Nor did they

have any direct decisionmaking power for product allocation. They either drew their wages monthly or received remuneration according to work points, totally cut off from the intimate interrelation between the level of physical strength, the extent of technology and the degree to which the labor had filled needs, as well as being totally cut off from the aims of developing the productive forces. Obviously this situation prevented the workers from concerning themselves with the development of the productive forces. At the same time the fact that many teams at that time were carrying out handicraft labor meant that it was difficult to carry out effective control of large-scale collective labor processes. As it was not possible to ensure labor efficiency, it was difficult to carry out accurate statistical surveillance of labor quantity and quality. In addition, various reasons connected to the quality of the cadres and the standard of administration meant that it was not possible to ensure the consistency of the extent of a division of labor nor the quantity or quality of labor. Of course this obviously inhibited the workers' enthusiasm and therefore blocked development of the productive forces.

After the implementation of the production responsibility system, workers generally had direct allocating power to the means of production and the production process and workers were closely involved with the extent of the fruits of their labors as well as the extent of allocated income involved. Thus the workers' economic benefits, the general state of the means of production, the level of technology and the entire state of the productive forces were all brought into intimate contact. Thus the development of the productive forces and the targets of the individual workers were brought into even greater unified coordination. In this way the development of the productive forces was spurred on by the production relations. At the same time, the implementation of the responsibility system meant that later the scale of labor became more suited to the state of the productive forces and the potential to control the labor process increased, thus it was possible to guarantee the implementation of allocation according to labor quantity and quality. In this way the workers' production enthusiasm greatly increased as did their concern for the development of the productive forces.

The above-illustrated situation shows first that production relations cannot promote the development of productive forces under any conditions. Second, production relations must go through their concrete form ("intermediary" form) in order to affect the productive forces. Third, the basic structure of the concrete form of the production relations includes three mutually interrelated segments, namely the workers' style of allocation to the means of production; the style of administration of the production process; and the style of product allocation. The first represents the basis, the second the conditions and the last the key.

Thus, under what kinds of conditions are the production relations able to promote the development of the productive forces? In general, conditions involving a good systems feedback must exist in production relations in

order for them to promote the development of the productive forces. This healthy systems feedback requires: 1) that the allocation style of the means of production can bring about direct integration between the workers and the production tools so that it is possible to ensure that the workers (including those who perform work mentally can effectively use and improve the production tools. 2) That the style of administration of the production process allows both the workers and the administrators to intervene in the production and distribution processes and thereby makes it possible to ensure the rationalisation of production labor processes and distribution. 3) The style of product distribution must ensure that the workers and the administrators obtain increasing material benefits in line with the development of production, thereby creating a systematic and socialized motive force to promote the development of the productive forces. These three basic conditions or principles in actual fact reflect the intimate integration of "power, responsibility and benefits." In general, then, the system of production relations should create a healthy "systems feedback" in order for both workers and administrators to concern themselves with improving production tools and production technology as well as the rationalization of operational administration and improvements in the essential qualities of the workers, thereby producing an intensional force for the development of production.

Here it should be underlined that the effect of the production relations on the productive forces is one of "reaction" and the input of the production relations system into the productive forces system is one of "re-input" (i.e., feedback). Thus the question of whether the production relations system is able to create "healthy feedback" in relation to the productive forces system should not be answered by searching the essence of the production relations system--the answer can only be found by examining the general state of the production relations system and seeing whether or not it corresponds to the demands of the productive forces system. Thus the above-mentioned three conditions are only possible if the style or form of the production relations is suitable to the level of the productive forces.

January 1982 writer's work unit: Hua Zhong Agricultural Institute

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NATIONAL POLICY AND ISSUES

'JINGJI YANJIU' ON SOCIALIST PRODUCTION AIMS

HK120648 Beijing JINGJI YANJIU in Chinese No 10, 20 Oct 82 pp 29-32

[Article by Zhang Chaozun [1728 2600 1415]: "The Aims of Socialist Production Include the Satisfaction of the Needs of Enlarged Reproduction"]

[Text] In my article "A Discussion of the Meaning of the Aims of Socialist Production" (hereafter referred to as "The Discussion") (published in JINGJI YANJIU No. 8, 1980), I advocated that the aims of socialist production should include the satisfaction of four main areas of need or demand: 1) satisfying the consumer needs of the individual worker; 2) satisfying the general consumer needs of developed cultural education, the cause of hygiene, social security and collective material benefits; 3) satisfying the demands of national administration and management and the consolidation of national defences; and 4) satisfying the needs of enlarged reproduction. Some people are in disagreement with this theory while others agree wholeheartedly. The main problem is the question of the aims of socialist production including the satisfaction of the needs of enlarged reproduction. With a correct solution to this problem, the other three present little difficulty. This article therefore concerns itself with this problem--a supplementary clarification of the basic tenets of "The Discussion" and furthermore the author welcomes any criticism or correction.

My fundamental viewpoint in "The Discussion" is that under a socialist system, due to changes in relations between the worker and society, causing him to become master of the society, society, while satisfying the needs of enlarged reproduction and other needs, should construct a specific list of contents of the aims of socialist production. The question now is, why?

1. In terms of the sublation of labor alienation. In examining the aims of socialist production, it is first vital that one clearly establishes the relations between man and labor or production, otherwise one cannot reach a correct conclusion. Labor is the material process of alteration between man and the natural world and during this process man uses the means of labor to affect the target of labor and produce specific products or supply certain work tasks. At the same time this process is also the process by which man expresses his own physical strength and intelligence. Labor not only differentiates man from the animal world but in addition

improvements in labor and technological equipment used for labor and proficiency in labor allow man to continuously develop his physical strength and intelligence. It was exactly on this basis that Marx considered labor to be the fundamental activity in man's life, and then pointed out that there were two kinds of means of subsistence. One means of subsistence is directly linked to satisfying the needs of man's existence and the other means of subsistence is linked to satisfying the needs of man's labors. The latter kind exists so as to permit the performance of labor.¹

Under a capitalist system the means of subsistence and the means of production needed by labor are privately owned by the capitalists and the workers themselves own nothing at all, thus in order to survive they have no choice but to sell their work strength to the capitalists and to produce surplus value for the capitalists and suffer the exploitation and slavery of the capitalists. In such a situation the worker is forced into a situation where the more he works the better and at the same time his exploitation increases as well, sometimes to the extent that he is cast out of the labor process and becomes unemployed, thus even his continued existence is not ensured. Thus, under a capitalist system a worker cannot affirm himself in his work, he only negates himself. He feels no happiness, only sorrow, he is not free to develop his own strength and intelligence, instead his body suffers torment and his spirit is destroyed. Marx called this kind of labor "labor alienation." Under conditions of labor alienation, the development of the worker's strength and intelligence in the course of his labors is completely dependent on the needs of the developed production of capitalism, and not on the developed needs of the individual himself. Thus the means of subsistence needed by labor become a method by which to enslave the worker.

In a socialist system "labor alienation" has already been eliminated and the labor performed by a worker is for himself and for society and there is no exploitative or free labor; labor becomes the life activity of man and the means of production become the means of subsistence of labor. In this way increases and improvements in the means of production become vital for the worker to develop his own strength and intelligence. Increases and improvements in the means of production would not be possible without enlarged reproduction. Thus the aim of socialist production must be to satisfy the needs of enlarged reproduction.

2. In terms of labor employment. China today has a working population and any employment problems that exist are mainly a result of leftist mistakes in directive ideology during the former period of socialist construction, when there was a prolonged period of loss of control over the population and when the economy did not see correct development. However, under correct conditions, are there still problems of labor employment in the development of the socialist economy? The answer is definite. Lenin said "Labor productivity is the most important thing that can ensure the success of the new social system in the final analysis. Under the serf system capitalism did not create sufficient labor productivity. Capitalism

can be and indeed will be thoroughly defeated because socialism is able to create new, much greater productivity."² In other words, the basic nature of the socialist system means that the speed of increase of its productivity must be greater than that of capitalism and thus also the increased speed of production created by technology must be faster than that of capitalism. Because of constant improvements in the structure of production technology there is bound to be a certain number of workers ejected from the production process, who will thus need new employment. Thus new employment is not possible without accumulation and without carrying out enlarged reproduction. In other words, in terms of labor employment, satisfying the needs of enlarged reproduction must be an aim of socialist production.

Still on this question, it would be unimaginable to think that the aims of socialist production should not include the needs of workers' employment. Otherwise the so-called guarantee to satisfy the increasing material and cultural needs of the people becomes meaningless. Since employment represents the conditions for existence of a worker, without a guarantee for the employment needs of the worker, we cannot say that the production aims of socialism have been completely fulfilled. In actual fact the very essence of the socialist system means that it is able to guarantee the employment needs of the workers and this therefore proves very objectively that the aims of socialist production should include the satisfaction of the needs of enlarged reproduction.

3. In terms of guaranteeing to satisfy the increasing material and cultural needs of the people. Some people, in order to stress the fact that the aims of socialist production only include the consumer needs of the individual worker and general consumer needs, call this aim in their articles "satisfying the increasing material and cultural needs of the people." Referring to the aims of socialist production like this is not absolutely incorrect, but I feel that it should intentionally include four main areas of which one should be the needs of enlarged reproduction, otherwise it would be incorrect. Here there are two problems which need to be discussed.

First, if one says that the aims of socialist production are only "to satisfy the increasing cultural and materials needs of the people," then this so-called "increasing" divorces itself from the objective category of the level of development of the productive forces. We know that the people's needs are groundless but instead are decided by the level of development of the productive forces. Marx pointed out that "in early civilization productive forces had reached only a very low level, but needs at the time were also very few. Needs develop along with the means to satisfy those needs and furthermore they are dependent on these means for their development."³ Since needs depend on production for their own development, "increasing" needs must objectively include the needs of enlarged reproduction, otherwise those needs could not increase.

Some people feel that to include the needs of enlarged reproduction within the aims of socialist production obscures the difference between the aims of production and the means to achieve these aims. I feel that those with such opinions do not have a leg to stand on. Production and enlarged reproduction are two separate economic categories which have internal relations in the socialist economy since the running of enlarged reproduction depends on the provision of surplus products from production. If one says that socialist production is only for satisfying the livelihood needs of the workers and not for satisfying any other needs and that as such is an objective law, then socialist production has no need to and is not able to provide surplus products, since by necessity, this objective law states that it is only there for satisfying the livelihood needs of the workers, and hence as a result everything produced in any given year is used up in that same year. Thus only by including the needs of enlarged reproduction within the aims of production can production provide surplus products for enlarged reproduction and only then can socialist production continuously increase. This is an objective economic process independent of man's will and such a process illustrates that the aims of production and the means to achieve these aims are mutually interchangeable, and are in dialectically unified relation to each other. If we abstract from this objective process and if we isolate the dialectically unified relations between the aims of production and the means to achieve such aims, do we still have constant improvements in the standards of living of the people and constant growth in socialist production? Basically, under such conditions it is impossible to even consider the question of the basic economic laws of socialism and its effects.

Second, the workers' "all-round" development. Those people who feel that the only aims of socialist production are to satisfy the livelihood needs of the workers have nearly all drawn on the classic works of Marxism as mentioned below in order to give strength and foundation to their theories: In a socialist and communist society "socialist production not only is able to guarantee that every adult member of the society has a rich and ever-increasing livelihood, but it can also guarantee full and free development and utilization of their strength and intelligence."⁴ "The social revolution of the proletariat substitutes public ownership of the means of production and the means of circulation for private ownership of the same and organizes the process of socialist production in a planned way to ensure the happiness of all members of society as well as their all-round development."⁵ And so on. To place the all-round development of the workers within the aims of socialist production is entirely correct, but how can such aims as these be realized? The implementation of the all-round development of the workers must take place within the sphere of consumption. For example, carrying out composite technological education for the workers means that the level of their cultural, scientific and technological know-how will continuously increase. Supplying all kinds of development to the workers ensures that their own qualities, intelligence and interests may be used and expressed in many different ways. However, to allow the workers all-round development, changes are necessary in the conditions and

methods of production. And it was in relation to this that Engels wrote in more detail when he sharply criticized Duhring's attempts to only change the method of distribution in capitalism and not the method of production in order to achieve socialism. Engels concluded his discussion of this reactionary way of thinking by saying "Thus the old methods of production must be completely changed and in particular the old method of distribution of work must be eradicated. In its place should be an organization of production in which on the one hand no one should push to anyone else anything that they should do themselves as a result of the natural conditions which exist. On the other hand, production labor should provide everyone with the possibility for all-round development and expression of their own capacity for physical strength and brain power. In this way production labor is no longer a means of enslaving people but is a means of liberating people and thus production labor transforms itself from a burden to a form of happiness."⁶ It goes without saying that the establishment of such an organization of labor is impossible without the means of subsistence needed by the workers and without increases in and modernization of the means of production, indeed we may even say that it is impossible without enlarged reproduction. Some people say that the aims of socialist production should be to achieve the all-round development of the workers but at the same time say that the aims of socialist production should not include the needs of enlarged reproduction, but this is self-contradictory. Thus the words of Engels and Lenin as quoted above in no way strengthen the ideas expounded by those who have drawn on their work. In fact, quite the opposite, the words quoted above prove that the concept of including the satisfaction of the needs of enlarged reproduction within the aims of socialist production is entirely correct.

To say that the aims of socialist production include satisfying the needs of enlarged reproduction does not mean that under specific conditions relating to the national revenue, the more accumulation that exists the better. No one should mistakenly believe this. Under specific conditions relating to the national revenue what extent of accumulation is favorable should be decided on concrete facts relating to the development stage of the socialist economy. In this way the best accumulation rate can be set and under conditions with a favorable rate of accumulation, not only can socialist production experience speedy development but furthermore the standard of living of the people will also see speedy improvements.

To state that the aims of socialist production include the satisfaction of the needs of enlarged reproduction is often criticized as meaning "production for the sake of production," or equally wrong, as definitely leading to a situation of "production for the sake of production." I feel that this is a misinterpretation of the real concept of "production for the sake of production." "Production for the sake of production" is a common phenomenon in a capitalist society and its appearance represents the separation between production and consumption and frequent overproduction. The reasons for the occurrence of such phenomena are certainly not because the aims of capitalist production include accumulation but because surplus

value production must depend on the exploitation of the masses and the workers and their subsequent pauperization. In this way social consumption falls behind production expansion, producing overproduction, and it is at this point that the irrational phenomenon of "production for the sake of production" occurs.

Our former work also displayed tendencies towards the erroneous phenomenon of "production for the sake of production" but this was not a result of the fact that the aims of our socialist production included the satisfaction of the needs of enlarged reproduction but instead was related to the fact that we made serious mistakes in our appraisals of the proportional relations between accumulation and consumption in the agricultural, light and heavy industries. In "The Discussion" I said that a system of rules existed within the socialist economy and that the aims of socialist production should include four main needs, but the proportional importance of each of these needs should be decided only by the fundamental rules of socialist economics and also by the planned, proportionally developed rules of the national economy. Since there are mutually restrictive relations between each of these rules, an imbalance set in the proportions of the national economy, hence, by necessity affecting the realisation of the aims of socialist production. As a result it cannot be because of the appearance of "production for the sake of production" but must lie instead in the mistake of negating the inclusion of satisfying the needs of enlarged reproduction within the aims of socialist production.

The concept that the aims of socialist production only included satisfying the livelihood needs of the workers became very popular after the smashing of the gang of four, the reason and the historical background to this being very complex. First, in a socialist system, because the level of the productive forces is relatively low, work is still a means of life for the worker and often the workers concern themselves more with the needs of their livelihood than the needs of their work and lack sufficient understanding and appreciation of the importance of increasing and modernising the means of production while fully developing their own physical strength and mental capacities. Second, China's socialist construction program suffered for a fairly long time from the influences of "leftist" mistakes, during which time the people's livelihood was ignored. During the chaotic period of the gang of four these mistakes were taken to their extreme and such brazenly ridiculous things were said such as "if the lives of 8 million people become a little harder, it is of no importance," etc. After the smashing of the gang of four, the sharp renunciation of such fallacies was quite natural and expected and under these conditions the urgent importance of making the satisfaction of the livelihood needs of the workers the aim of socialist production was stressed, and effective implementation of the readjustment, restructuring, reorganisation and upgrading policies was seen. At the time when these two situations were intermingled, the popularisation of the above-mentioned idea was very understandable. However, objective phenomena, even partially substantive phenomena, is not really the complete essence of a thing. The real task is

to reveal the entire essence of a thing by seeking truth from facts. Comrade Chen Yun said not long ago, the livelihood of the people must be improved. First they must eat, moreover they must eat their fill, they must not be left wanting and yet on the other hand they should not eat too well. Second they must construct. A country which eats and uses everything up is a country without a future. Only by constructing with the strength left in us after eating our fill can we succeed. The words of Comrade Chen Yun, as I understand them, completely embody the contents of the aims of socialist production and scientifically reflect the demands of the fundamental rules of the socialist economy. Socialist production can only expand and develop and the standard of living of the people can only improve if we follow the words of Comrade Chen Yun.

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FOOTNOTES

1. Marx: Economy and Philosophy Manuscript of 1844, "Collected Works of Marx and Engels," Vol 42, p 92.
2. Lenin: "A Great Beginning;" "Selected Works of Lenin," Vol 4, p 16.
3. Marx: "Das Kapital," Vol 1, p 559, the 1975 edition by the People's Publishing House.
4. Engels: "Collected Works of Marx and Engels," "Anti-Duhring," Vol 3, p 322.
5. Lenin: Material for changing the party program; "Collected Works of Lenin," Vol 24, p 435.
6. Engels: "Selected Works of Marx and Engels," "Anti-Duhring," Vol 3, p 333.

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QUESTIONS ABOUT OVERALL REORGANIZATION OF ENTERPRISES ANSWERED

Guangzhou YANGCHENG WANBAO in Chinese 21 Jul 82 p 2

[Article by Lan Guiliang [5663 2710 5328: "A Few Questions About the Overall Reorganization of Industrial Enterprises"]]

[Text] Ever since the party Central Committee and the State Council decided, beginning in 1982 and lasting 2 or 3 years, to carry out an overall reorganization of state-run industrial enterprises step by step in a planned way in a way that combines the entire area with individual sites, and by stages and groups, some units have raised many questions, such as: Why are enterprises always being reorganized? What is the difference between the present overall reorganization and past reorganizations? How is the reorganization to be calculated?... Armed with these questions, this reporter recently interviewed Comrade Jiang Yiwei, deputy director of the Industrial Economics Institute of the Chinese Academy of Social Sciences and director of the magazine JINGJI GUANLI [ECONOMIC MANAGEMENT]. He talked in particular about the following three questions.

The Purpose of the Overall Reorganization Is To Prepare for a Later Big Restructuring

Jiang Yiwei first of all talked about why we want an "overall reorganization." He said that this first of all stems from an understanding of the eight-character policy. The 3d Plenary Session of the 11th CPC Central Committee put forward the eight-character policy of "readjustment, restructuring, reorganization, and upgrading," a policy which is a systematic, mutually integrated complete policy. In the eight-character policy, although at present readjustment is its center, within the readjustment there must be restructuring, reorganization, and upgrading. However, no matter what part of the policy it is, it must in the end be implemented in the industrial enterprises. Restructuring is now in the experimental stage; after summing up experiences, putting forth plans, and synthesizing pilot projects, it is possible that it can be launched comprehensively in 1985. We are now using the interval before restructuring to carry out an overall reorganization of industrial enterprises, doing a good job of the "three buildups" (gradually building up a leadership system that is both democratic and centralized, gradually building up a force of

staff and workers that is both Red and expert, and gradually building up a management system that is both democratic and centralized, for a scientific civilization. Laying in this way a good foundation in the enterprises is both a step in the strategic deployment of the eight-character policy and a good preparation for the overall restructuring of the industrial system.

Jiang Yiwei said that some comrades now think of "overall reorganization" as a punishment of people. This view is incorrect. For most of the enterprises, this reorganization is constructive, and is also in order "to do a good job of the three buildups and achieve six good demands." It is on the basis of this restorative reorganization that the systematic buildup of the enterprises is carried out. Of course, in the work of reorganizing enterprises and it is most important to overcome the weaknesses of leadership.

When speaking about what differences between this "overall reorganization" and past reorganizations, Jiang Yiwei said that there are mainly three big differences: First, it is comprehensive not partial. In the main, in the past the reorganization of production management within an enterprise was a partial reorganization. Now enterprises are about to be changed into administrative units, and industrial enterprises will not only have to manage production but also manage marketing and do a good job of administration and management. Reorganizing an enterprise is not just a matter of reorganizing its internal management, but is also a matter of taking account of such aspects as readjusting, restructuring, and upgrading economic benefits with regard to product orientation, economic accounting, and marketing services. Second, this reorganization is multipurpose. It is a multipurpose harnessing of the various aspects of work such as supply, production, marketing, and manpower, finances, and materials. It is necessary for an enterprise to do many things, "a thousand strands above from one needle below," and overall plans and arrangements must be made based on the specific situation in an enterprise. If we do not reach a multipurpose balance, do not take the overall situation into account, do not do things in the order of importance and urgency, and do not have a sequence in which one progresses from this to that, but only touch on all things without going into them deeply, then there will be no result. Third, the reorganization is complete. The past reorganizations were restorations, but this reorganization is different and the "three buildups" are its content. If we are to reorganize the leading groups, then we must rectify the impurities in the leading groups, rectify weaknesses and slackness, and revolutionize, rejuvenate, intellectualize, and specialize the leading groups. This is a constructive matter relating to the aspect of quality, and it will cause the enterprises to build up gradually a leadership system that is both democratic and centralized.

Perfecting the Economic Responsibility System Is the Point of Penetration and Motive Force of Enterprise Reorganization

Where is the overall reorganization of an enterprise to start? Jiang Yiwei thinks that, for the ordinary enterprise, it should start with perfecting the economic responsibility system. The economic responsibility

system relates to all departments of an enterprise and to every one of its staff workers. By taking hold of the economic responsibility system, the enterprise can bring along other work, and it is the penetration point and motive power for enterprise reorganization.

He said that the economic responsibility system directly integrates the economic interests of the enterprise and its staff and workers with the economic responsibilities they bear and the economic results they realize. It integrates every aspect of an enterprise, has a bearing on everybody, and in reality is the combining of responsibilities, rights, and interests. It not only means everyone's personal responsibility but also means the responsibility of groups, teams, and departments; it not only means the individual's responsibility for the quantity and quality of his work, but also relates to everybody's personal economic interests. To have an economic responsibility system that brings the individual's economic interests into a mutual relationship with the collective's achievements and the individual's labor contributions and that develops a sense of responsibility, the basic work in reorganizing and perfecting an enterprise must include quotas, original records, measurements, plans, statistics, and accounting, and various management systems must be set up, perfected, and strictly implemented. The economic responsibility system is able to solve the problem of developing the initiative of the enterprise and its staff and workers and the problem between enterprises and between the staff and workers within an enterprise of "eating from the same pot and receiving equal benefits," so that the enterprise and the individual will achieve by production and administrative activities the best economic benefits. Therefore, getting hold of the economic responsibility system is a case of a slight move in one part affecting the situation as a whole and can bring along other work, so that a new situation will be opened in the work of enterprise reorganization.

With regard to how to perfect the economic responsibility system, Jiang Yiwei thought that there are two main aspects. In the relationship between the state and the enterprises: 1. In strengthening the state's planned management of enterprise, we cannot solely stress the pursuit of profit but must stress the overall economic benefits. It will not do if profits are large but products are overstocked. 2. We must sum up the experiences of enterprises in exercising their right of initiative and make clear the state's rights and responsibilities vis-a-vis the state. 3. We must handle well the relationship between the state, the collective, and the individual; we must rationally distribute economic profits, first ensuring that the state increases its income and only afterward having the enterprise retain more profits and its staff and workers get more income. Within the collective, there are three main jobs to do well: The first job is to implement the economic responsibility system layer by layer, implementing it for every unit and individual. The second job is to improve economic management. To get hold of management of the overall plan, management of overall quality, and the accounting work of the overall economy, the enterprise must accelerate technological transformation and accelerate the improvement of economic benefits. The third job is to strengthen the work of ideological education, so that the great number of staff and workers,

with the attitude of being masters, will do their own work well, and the enthusiasm and creativity of the masses of staff and workers will be guided onto the correct track of improving production technology, continually bringing forth new ideas to improve administration and management, improving overall economic benefits, making more contributions to the state, and trying hard to bring about a situation in which people are allowed to utilize their talents to the full, each person contributing his ability.

Our Country's Modern Scientific Management System in Embryonic Form

What is our country's socialist modern scientific management system? Jiang Yiwei said that scientific management is management in accordance with objective laws. We are a socialist country and we cannot copy mechanically the system of capitalism. We must set up a Chinese-style socialist management system that is complete in itself. Overall plan management, overall quality management, overall economic accounting, and overall personnel and labor management (called the "four overall's" for short) are the embryonic form of our country's modern scientific management system.

Jiang Yiwei said that overall plan management begins with administration and also begins with designing products according to market demand, and uses plans to organize the whole process of production, marketing, and service. Overall quality management principally solves the problem of use value; overall economic accounting principally solves the problem of value, focuses on the management of the production of things. But "things" must be controlled by "people." Overall personnel and labor management means to arouse people's enthusiasm, exploit the resources of talent, and solve the problem of "people," including setting up and perfecting an overall system of personnel management for training, tests, promotions, selections, and wages of all personnel. Jiang Yiwei said that the "four overall's" in actuality is a combining of two elements--people and things--and can be thought of as the embryonic form of our country's modern scientific management system.

Jiang Yiwei further stated that the so-called overall management of an enterprise is a systematic management principally manifested in three aspects: 1) it involves the entire factory, so that every post and every department does things in line with the "four overalls"; 2) it is a complete process, from product design to production, marketing, and service; and 3) it involves all personnel, everyone doing his bit.

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ECONOMIC MANAGEMENT

PROBLEM OF LESS INCOME FROM HIGHER PRODUCTION VIEWED

Guangzhou GUANGZHOU RIBAO in Chinese 24 Jul 82 p 1

[Article by staff reporter Huang Liangyue [7806 6647 1878]: "The Reorganization of Enterprises Must Stress the Solution to the Problem of Production Increasing But Income Not Increasing"]

[Text] The first batch of 21 industrial and communications enterprises in our municipality are now launching overall reorganization. According to a briefing given by a responsible person of the municipal economic commission, the purpose of this reorganization, centered on increasing economic benefits, is to strive hard to realize output and income increases.

From a look at the initial situation in the first batch of enterprises on the industrial and communications front to undergo overall reorganization, we see that in many enterprises the problem exists, to different degrees, of production increasing but income not increasing. On the surface, for years running there have been big increases in the production and profit of these enterprises, but if we analyze the important economic indices such as product unit cost, total profit, and profit rate per 100 yuan of value, we see that the production costs of some enterprises have been rising year by year and profits have been falling, so that production increases but not income.

For example, in 1970 the cost of producing one 16-inch fixed-speed electric fan in an electric fan factory in this municipality was 92 yuan, but in 1981 the cost had risen to 122 yuan, an increase of 20.49 percent. Because of this, although the factory's average rate of production growth over the past 3 years has gone as high as 47.83 percent, its profit per 100 yuan of output value has fallen from the 32 yuan in the past to 5.9 yuan, and the enterprise's profit level has taken a big drop. There are analogous situations for some other key products of light industry.

Why is it that some enterprises increase their production but not their income? From an initial investigation and analysis, the principal reason contains the following aspects:

First of all, the rate of production development and the economic benefits are not unified. The profit obtained by many enterprises depends on the "four arrangements" (arranging output, arranging equipment, arranging

manpower, and arranging financial resources--costs not calculated). The result of solely arranging output is high output and low economic benefits. Workers call this way of doing things "savage production and high-priced profits."

When management of an enterprises is chaotic, economic benefits are poor. The concentrated reflection of an enterprise's not carrying out the economic responsibility system internally is that production management is chaotic, consumption of raw and processed materials is high, and the enterprise's management expenses are large. This is a "common failing" of most enterprises. In one industrial company, there are 11,000 staff and workers and over 1,000 management personnel, and the company's monthly management expenses alone reach 300,000 yuan. Because enterprise management in a factory that produces television sets was chaotic, the quality of its products was not up to standard. The products were slow-selling and became overstocked, and the factory was forced to handle the situation by cutting prices drastically, thereby causing the state economy to suffer a loss.

An excessive quantity of outside processing drains the profit of an enterprise. In recent years, many enterprises have had a "special interest" in outside processing. The production of one flashlight requires 74 outside processing points. Practice proves that if there is an excessive quantity of outside processing, the disadvantages outweigh the advantages. For example, take the cost of electroplating one flashlight. If the factory does the electroplating itself the cost is about 0.17 yuan, but if the flashlight is sent out of the factory for processing the cost is 0.39 yuan, and the enterprise increases its freight volume by shipping it out and back. Because of this, the amount of money defrayed last year for outside processing costs in flashlight production was as high as 9.25 million yuan. While the output of flashlights last year was 23.77 percent higher than that of the year before, the profit realized was only 1.8 percent higher. Workers say: "If this drain on the profit of enterprises is not stopped, the enterprises will become anaemic."

If the proportion of self-marketed products in an enterprise's profit is excessively large, the contradiction of the enterprise's economic benefits being poor will be concealed. In reforming the economic system the appropriate expansion of an enterprise's right to market its own products is advantageous for encouraging the enterprise to increase production and for invigorating the economy. However, if the proportion of self-marketing is excessively large there will be side effects. Because the prices of self-marketed goods are high and more profit is obtained, it will be very hard to judge the good and bad in building up an enterprise. For some enterprises the self-marketing profit accounts for half of a year's total profit. This is an abnormal situation. The "increased income" of these enterprises was not the result of painstaking building up of the enterprises, but depended on "wealth obtained from profit on self-marketed products," and this indirectly damaged the state's interests. At the same time, it also conceals the contradiction of an enterprise's economic benefits being poor.

In addition, the rise in the prices of raw materials and the resultant excessively heavy burden on the enterprise is also one reason for an enterprise's increasing production but not increasing income.

Viewing the above-mentioned situation, we see that enterprise reorganization should focus on the problem of increasing production but not increasing income, and make it a major part of the reorganization. First of all, we must further raise the understanding on the part of leaders at all levels of the overall reorganization of enterprises, so that they switch the base of production to one of improving economic benefits, integrate it with the factory's own production reality, and explore new ways that both increase production and practice frugality and that are able to improve economic benefits, thereby unifying the rate of production development with economic benefits and effectively changing the present situation in which enterprises employ the old method of the "four arrangements" to obtain "high-priced profits." With regard to other problems, they should suit the remedy to the case, take really feasible measures, and be sure, through overall enterprise reorganization, to raise further the management level of industrial enterprises in our municipality and to improve further economic benefits.

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FINANCE AND BANKING

THEORETICAL PROBLEMS IN SAVINGS DISCUSSED AT NATIONAL SYMPOSIUM

Beijing ZHONGGOU JINRONG [CHINA'S BANKING] in Chinese No 17, 4 Sep 82 pp 12-14

[Article by Jin Mi [6855 3125]: "Several Theoretical Problems in Savings Explored"]

[Text] The China's Banking Academic Association recently held a national symposium in Chengdu on the theory of savings. More than 60 persons, including experts, professors and research workers in economic and banking circles and workers of the savings departments were invited to this symposium and more than 40 academic theses were presented. The meeting analyzed the new changes in the savings of the urban and rural population, discussed the significance, role and necessity of savings under socialist conditions in our country, and conduct a study in certain theoretical problems in savings under the new conditions. The meeting held that savings are not only a kind of professional work for the banking departments, but also an important issue in economic theories involving the spheres of production, distribution, exchange and consumption in the national economy—an issue which should be carefully studied.

New Changes in Savings Signified the Effects of Economic Readjustment

At the meeting, the savings departments presented a large amount of statistical figures to show that since the Third Plenary Session of the 11th Party Central Committee, the political stability and unity in the state and the implementation of the series of correct policies have brought about a great change in the savings of the urban and rural population as shown by the rapid increase in savings deposits, the large number of savings accounts, and the long duration of fixed deposits. Everyone agreed that the large-scale increase in savings deposits reflects the increase in people's income, their concern and support for national construction, and their full confidence in the future of our national economic development.

Some comrades said: The large-scale increase in the people's savings deposits shows that following the state's readjustment of the ratio between accumulation and consumption, the income of the broad masses has increased and the peasants and workers now have more money on hand. Therefore, the

increase in savings deposits has now a certain material foundation. At the same time, in the course of the first and second distribution of the national income, some changes have occurred in the flow of funds, because part of the financial revenues became social funds and then bank deposits. These changes reflect the results of the state's economic readjustment and restructuring.

Other comrades pointed out that the economic readjustment, the increased production of consumer goods and the new demands of consumption have prompted the increase of varieties and the upgrading of products and thus promoted the growth of production. At the same time, the increase in people's income and savings supplies funds for production development. Thus the several links of increased income for the people, changes in the pattern of consumption, increase in savings deposits and development of production have combined to form a progressive spiral. The large-scale increase in savings is precisely the initial sign of this progressive spiral in the national economy. The people's savings deposits, based on this progressive spiral in the national economy have great vitality and a promising future.

The Necessity and Role of Savings Under Socialist Conditions in Our Country

There were already debates on the necessity and role of savings under socialist conditions in our country way back in the 1950's. At that time, some people held that since savings did not reduce the volume of money in circulation, they could not help in regulating the supply and demand of commodities on the market. Furthermore, the state had to pay interests, and it would be better not to have savings deposits after all. Now another argument has been advanced on the same question. For example, some comrades feel that the savings absorbed by the bank represents the purchasing power of the possessors of money who have not yet purchased commodities in state-owned stores, while the money in circulation on the market also represents the purchasing power of the possessors of money. Therefore, they are actually the same. In computing the people's purchasing power according to the regulations in the system of statistics, the people's savings deposits and the money in circulation on the market are all treated in the same way. Thus they feel that deposits can be replaced by the issuance of currency.

Many comrades did not agree with this view, which, in their opinion, ignores the necessity and the role of savings under socialist conditions in our country. Although the currency issued and the deposits of savings are considered as the sources of funds for the bank and are listed as liabilities according to banking statistics, they are in fact different. Money is an ordinary equivalent at the disposal of its possessor, and can go into circulation by making purchases at any time. There is the element of spontaneity. In the case of savings, however, the possessor of money, out of trust, transfers to the bank the rights of disposition of the value represented by the money, and thus the bank can carry out its functions of regulation and forecasting in a planned way. Through the medium of the bank, savings deposits will become funds with the characteristics of turnover and proliferation; cash on hand, however, can only remain the same in amount. Abolition of savings deposits in the hope for the use of hoarded money may lead to a spate of funds on the market which may become uncontrollable,

causing currency depreciation and price inflation. The consequences may be unthinkable. It is true that savings and money in circulation are treated in the same way according to the national system of statistics. However, in computing purchasing power, the increase and decrease in savings are excluded. Savings generally increase every year, while cash can either increase or decrease, and there is an element of unpredictability. Hence the difference between savings deposits and cash on hand.

Still other comrades pointed out that savings, as a form of the safekeeping of wealth, is the outcome of development in commodity and money economy, and a special function of the bank during the development of the capitalist credit system. One of the special features of savings is that small amounts of idle funds can be combined and transformed into a mighty monetary force. This is one of the special economic functions of the bank. When commodity and money exist under socialist conditions, the national income can be distributed in the form of value or in kind. There is a time lag between distribution in value and distribution in kind, or between the stage of production and the stage of consumption in daily life. If this time lag is utilized, we can mobilize or accumulate the social funds and change consumption, deep the wealth in the form of monetary value for future use. This makes it objectively feasible for banks to undertake savings deposits. Savings, as a form of economic mechanism in monetary credit, is indispensable and must continue to develop.

Will Savings Become "a Tiger out of the Cage"?

Some comrades felt that savings can be of little value in stabilizing the market prices. Normally, when part of the money has gone into savings deposits, people may feel that the money in circulation is by no means excessive, and that the availability of commodities seems to correspond with the volume of money in circulation. However, once the state encounters certain extraordinary difficulties and the people withdraw their savings in large amounts, the withdrawn funds and the money they have on hand will be like two "tigers out of the cage" making their way to the market. This will further aggravate the market situation. Many comrades held that this viewpoint is wrong and harmful. Facts have proved that the large-scale increase in savings deposits in recent years has played a remarkable role in regulating monetary circulation, in postponing the use of purchasing power and thus reducing the pressure on the market. When there is political stability and the basic stability of prices under socialist conditions in our country, along with the increase of people's income and the implementation of correct interest policies, savings will steadily increase. Furthermore, because of our policy to stabilize the currency, serious currency inflation will not occur. Therefore, under ordinary conditions, savings will not have any serious ups and downs, and will not become "tigers out of the cage." During the 3 years of difficulties from 1959 to 1961, savings deposits were reduced from 6 billion yuan to 4 billion yuan. Instead of all "making their way to the market," a large portion of it still remained as deposits.

Is Saving a Form of Accumulation?

During the discussions, many comrades disagreed with the view that savings cannot be used as construction funds because they came from the disparity between the social purchasing power and the availability of commodities. Many comrades agreed that savings are a form of accumulation.

Some comrades said that in addition to the direct accumulation transformed from the surplus products in society, there is also indirect accumulation in socialist accumulation. This indirect accumulation refers to the former compensatory funds and consumption funds. Through credit, these funds, under certain conditions, can become accumulation funds to be used in expanded reproduction or in increasing the material reserve. That is why credit is a type of indirect accumulation. According to Marx, credit is the assistant, the supplement, and the lever of accumulation.

Is there any material security for the funds accumulated from savings? Many comrades held that the distribution of funds in the national income is the monetary expression of material distribution. Both represent a deduction from the total social products. Savings comes from that part of consumption funds, formed of the economic value created in past years, and that part which is at the disposal of individuals. In other words, they have been parceled out of the total social products through the first distribution of national income. Therefore, we should say that they have material security. As the process of funds distribution and material distribution is complicated, it will require a concrete analysis of the process of objective economic movement to determine if these two forms of distribution are consistent with each other. In making use of the funds accumulated from savings for the grant of short-term and medium-term loans in support of the equipment renovation and technical transformation among the light and textile industries, the bank plays an important role in increasing the supply of goods on the market and readjusting the economic structure.

The Relationship Between Savings and Consumption

During the discussions, many comrades held that savings, which come from the increase in consumption funds and in the people's income, should finally be spent on consumption. Therefore, in developing savings deposits, attention must be paid to the question of consumption. The relationship between savings and consumption is mainly shown in the following aspects: 1) The increase in savings deposits is first decided by the increase in consumption funds. 2) The change in people's consumption pattern increases the need for savings among the people and raises the percentage of savings. 3) The stability of market prices and people's savings while waiting to make or to choose their purchases have increased the stability of savings deposits. 4) Because of the increase in people's income and the expansion of source of savings, the sales of commodities and savings deposits increase simultaneously. 5) In view of the present market situation, we should conditionally and selectively carry out experiments in consumption credit, the combination of deposits and loans, and guidance in consumption.

Instead of restricting people's consumption, the purpose of developing savings deposits is to help them spend money more fruitfully so as to improve their livelihood. This is the requirement according to socialist economic laws as well as the starting point and end-result in developing savings deposits.

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FINANCE AND BANKING

THEORETICAL, PRACTICAL PROBLEMS IN SAVINGS DESCRIBED

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 17, 4 Sep 82 pp 9-12

[Article by Liu Hongru [0491 7703 0320]: "Develop Savings Deposits, Promote Production, Provide Guidance for Consumption"]

[Text] In the past several years, people's savings deposits have grown rapidly. Work in savings deposits is now enjoying a much higher social position, and the ratio of such deposits to the sources of funds is now continuing to rise. The funds thus accumulated are also playing a more active role in socialist construction. The Party Central Committee and the State Council are now attaching great importance to this work which, in their opinion signifies political stability, economic development, the rise of people's living standards, and the confidence of the broad masses in socialist construction. The leading comrades have time and again stressed the need to accumulate funds by attracting more savings deposits. Here, I would like to present some views on practical work for our comrades' study and reference. The central topic of what I am to speak about is: develop savings deposits, promote production and provide guidance for consumption.

Since the Third Plenary Session of the 11th Party Central Committee, the rapid development in the political and economic situation has brought great changes in savings deposits as mainly reflected in the following three aspects:

(1) A New Situation in Savings Deposits Characterized by Rapidity, Broadness and Stability in Urban and Rural Areas

First, rapidity. This refers to the rapid increase in savings deposits. In the 3 years from 1979 to 1981, savings deposits in urban and rural areas increased by 31.3 billion yuan which was 2.5 times the total increase in the previous 30 years.

Second, broadness. This refers to the broad area in savings deposits. According to statistics, at the end of 1981, there were 134.53 million households, a 58.4 percent increase over 1978, having savings deposits in the urban and rural areas. The per-capita savings in the country was 22 yuan in 1978 and 53 yuan in 1981.

Third, stability. This is shown by the increase in the ratio of fixed deposits or long-term deposits. The number of fixed deposit accounts has remained steady above 80 percent in cities and towns and above 60 percent in the countryside. In 1979, 29.7 percent of the fixed deposit accounts were from 3 to 5 years; in 1981, the ratio rose to 46.58 percent.

(2) A Stable Situation of "Saving Money and Selecting Purchases" Along With the Increase in People's Income and the Change in the Pattern of Consumption

According to investigations conducted by the relevant units on 46 cities including Beijing, Tianjin and Shanghai, the monthly income for each person in a worker's family was 38.64 yuan in 1981, an increase of 12.31 yuan, or 46.8 percent over 1978. If price increase is excluded, the actual income increased by 31.3 percent. The increase of job opportunities has reduced the workers' burden. In the past 3 years, the increase in the peasants' income was equivalent to 2.24 times of the increase in 20 years from 1957 to 1976. Their cash income has also markedly increased.

The pattern of consumption has also changed. According to the figures supplied by the relevant unit after comparing 1981 with 1978, clothing rose from 23.1 percent to 25 percent; the commodities for daily use rose from 14.2 percent to 15.2 percent; food reduced from 58.6 percent to 56.6 percent (or 51.9 percent if the increase in prices is excluded); and fuel was reduced from 4.1 percent to 3.2 percent. More purchasing power is now used on clothing and commodities for daily use, and the people have also bought fairly large amounts of durable consumer goods. This shows the marked improvement in people's living conditions in the past 3 years.

Because of the increase in income and the change in the pattern of consumption, a stable situation of "saving money and selecting purchases" is beginning to emerge. Also because of the basically stable commodity prices and the fairly plentiful supply of commodities, panicky purchases, commonly seen in the past, are now rare. Instead, the consumers are now carefully selecting what they want and making comparisons. Some people are saving their money while waiting for the price to drop or until they find their choice. Investigations conducted everywhere have shown that the people now have more surplus money. According to the data of investigations by the relevant units, the surplus funds of people in the urban and rural areas (or their surplus purchasing power in the form of either cash on hand or savings deposits) amounted to 3.3 percent in 1978 and rose to 8 percent in 1981 of their income.

(3) The Increased Role Played by Savings Deposits in the National Economy

Among the sources of funds for bank loans, the proportion of savings deposits has increased rapidly. In the cities and towns, the ratio of savings deposits to the total bank deposits was 12.6 percent in 1978 and increased to 17.4 percent in 1981. With the addition of savings deposits in the countryside, or the addition of 31.3 billion yuan to the savings deposits in the urban and rural areas in 3 years, the total has accounted for 38.9 percent of the increase in all deposits. These savings have become a fairly steady source of funds during the present financial difficulties in the course of our economic

readjustment. With these funds, the banks have supported production, construction and the development of commodity circulation. In these several years when the government's allocation of circulating funds is rather small, bank loans of various types have increased by 91.4 billion yuan, and one-third of this amount came from savings deposits. At the same time, savings deposits have also helped to regulate the circulation of currency, reduced the pressure on the market, and provided guidance for consumption.

The new development in savings deposits has brought with it a series of theoretical and practical problems, including the problem of understanding among bank workers. These problems should be conscientiously studied.

(1) The Question of the Need for Savings Deposits

The development of savings deposits is an objective necessity in historical development and is independent of the will of people. In history, keeping wealth as a means of preserving value means keeping money, which has now developed into the form of credit. As to the role of credit, Marx summed it up as two different functions: First, saving expenses in circulation. Keeping money is unsafe and inconvenient, and moving it here and there involves great expense. Therefore, the substitution of credit for money in safekeeping can reduce the expenses of circulation. The second function of credit, which is also important, is, in common language, transformation. What is transformation? An amount of money deposited in the bank and later loaned out cannot itself be increased. However, some transformation has taken place. One part of the transformation is quantitative, because the accumulation of small deposits may become a huge monetary force, and this was what Marx called a special role in the bank. The other part of the transformation is qualitative, because the money collected from various levels is transformed into capital. In the capitalist society, capital is intended for the exploitation of surplus value. In socialist countries, it becomes loans to be used for production and circulation. Thus a qualitative change has taken place. From the standpoint of the masses, this is a change from consumption into production or construction funds. This change can take two forms, namely, state credit and bank credit. State credit is in the form of bonds or treasury bonds, while bank credit can take the form of savings deposits. The advantage of bank credit is that it does not infringe on the rights of ownership, that people are free to deposit or withdraw their money and that it carries interests, and the interest rate is slightly higher than the price index. This portion of funds can be stabilized by economic means. Furthermore, although the absorption of deposits in the form of bank credits and the collection of funds in the form of state credits put both the bank and the state in the position of debtors, there is some difference between them. The bank receives deposits and permits withdrawals. However, along with the development of production and the increase of income, the relatively stable portion of deposits will gradually increase, and the bank does not have to face the financial problems of paying debts with interests all of a sudden.

Are cash and savings deposits the same in form? I will say that it is not, the main difference being that the bank can in a purposeful and planned way turn consumption funds into production and construction funds. Capitalist

countries classify the supply of currency into different grades according to the characteristics of its circulation or the extent of its purchasing power, with the more mobile part placed ahead of the more stable part. The purpose of this grading is, first, to study the prices and currency inflation, because the more mobile the currency, the more likely will it be to upset the market and to cause price inflation; and secondly, to study investment (including loans), or to find out how much money can be used in investment. Excessive investment will bring about more direct purchasing power, and prices will increase. Therefore, the control of investment has to be studied. This may serve the purpose of reference by us. Although the money in our country is not classified in the same way, we are actually studying the relationship between its stability and mobility by classifying it into cash, current accounts and fixed deposits, and then systematically turn the consumption funds into production funds, and the long stable portion of them into construction funds. If large sums are involved, and the money is not classified into cash and bank deposits, it would be very complicating for us to plan by relying on our study in the stability of the cash on people's hands.

Therefore, the objective laws embodied by credit are in the final analysis the laws of saving, or the laws of saving labor time. Credit helps to save expenses in circulation on the one hand and plays the role of transformation on the other. The idea of transformation is to speed up the turnover and use of funds in the entire society and to make use of the temporarily idle funds. The functions of banks can be summed up in two sentences: "Use everybody's money to work for everybody" and their value is in the word "transformation." This means money-saving on a social scale, because "if you do not use the money for the time being, I will use it," and the question of "marrying one daughter to two husbands" does not arise. The fact is that the banks use the money only when it is not needed by the people; and when the people need it, the bank does not use it. At the same time, the use of funds through bank credit and economic means is more effective in improving the economic result of funds. In short, savings deposits are a natural outcome of historical development as well as an objective necessity according to the laws of saving. They are indispensable to socialist planned economy.

(2) Will Savings Deposits Upset the Market?

There are three different conditions to account for the increase in savings deposits: First, saving money to buy something big; second, holding enough money while making the choice of articles; and third, setting aside money for use in the distant future, or building up a personal reserve fund. At present, we cannot say that compulsory savings have been completely eliminated; however, they are being gradually reduced, while other forms of savings, such as saving money while waiting to make or to choose purchases and building up reserve funds, are increasing. If the latter has occupied the dominant place, then there is not much likelihood of their upsetting the market.

Some comrades have pointed out that personal income cannot be equated with purchasing power. This sounds reasonable. Along with the increase of income, individual surpluses, that is, the portion for savings deposits, will also continue to increase. Right now, there may be many people saving money for their

purchases, and a little later, there will be more people keeping their money while choosing their purchases. Finally, personal reserve funds will increase too. When production is well developed and the supply of commodities is abundant, there will be increased income, surplus funds and savings deposits. This is certainly a good sign.

It is true that under extraordinary historical conditions, savings deposits may upset the market. This happened in our country in the early 1960's when we had hard times. At that time, the total deposit balance was some 6 billion yuan, of which only 2 billion yuan were taken out for circulation and the remaining 4 billion yuan remained intact. The market soon became stabilized. Since ours is a socialist country, I feel confident that our party and state can adopt suitable measures to get over their difficulties under extraordinary conditions. They would never let the difficulties drag on for a long time; such a situation has happened in the past, may happen now, and will happen in the future. We have full confidence in this regard, and will unswervingly develop our savings deposits according to the established policies of the central government.

(3) Can Savings Deposits Be Transformed into Construction Funds?

Savings and construction funds have always been interrelated in the past; this is nothing new. In a broad sense, savings include personal savings, rural savings and the savings of enterprises and public agencies. In the past, there has always been a portion of these savings used as production and construction funds, and they became additional investment. For many years, financial allocations have not been enough for the fixed circulating funds of the industrial and commercial enterprises, and had to be made up with bank loans. Again, the state's commodities kept in reserve should have been covered by financial allocations. However, since such allocations were not enough, the bank had to make up the difference. For many years, the bank had granted equipment loans in the countryside too. All these funds should have come from the accumulated funds out of the state budget, but this could not be arranged and the bank had to use the deposits to solve the problem. In foreign countries, savings and accumulation are also linked together. That is why the personal savings, collected in the form of bank credit or state credit, have always been connected with accumulation and investment.

As to how much out of the savings deposits can be transformed into construction funds, the amount should be carefully considered. In the past 3 years, the total amount of our short-term and medium-term equipment loans was increased by approximately 10 percent. This amount cannot be too large, because in arranging the order of funds, we have to give first priority to what is required for ensuring production and turnover in circulation, and then support the industrial and commercial enterprises by making up the shortage of allocation for their fixed circulating funds and the portion of funds for long-term use. Finally, we consider the needs of construction. This order cannot be reversed. The present margin of increase in our loans is 10 percent. How wide will this margin be in the future? This question deserves to be studied. The effects of this 10 percent increase are quite obvious. This was how the State Economic Commission evaluated the situation recently: In the past 3 years, a total of

5,330 million yuan was granted as light industry and textile industry loans; the construction period was generally 1 to 1 year and a half; and each yuan loaned could increase the output value by 3 yuan, and increase the tax and profit by 0.8-1 yuan. These are remarkable economic results; the loans have played an important role in promoting the continued growth of the light and textile industry and in increasing state revenues. Of course, the short-term and medium-term loans too have sometimes produced poor economic results because of blind action and waste. These experiences should be carefully reviewed and great efforts should be made in corrective action. What we have talked about are problems of quantity, and there are also problems of materials. Materials as a whole can be transformed. Since the further readjustment of the economy carried out last year, the scale of capital construction has been reduced and some means of production have become stockpiled. If a portion of funds is used to support equipment renovation and technical transformation in the light and textile industries, we will be able to make use of some of the overstocked means of production. In this way, we can not only revitalize the heavy industry, but also increase the output of light and textile industrial products and strengthen the withdrawal of currency from circulation. Will the short-term and medium-term loans be duly backed up by material security? In this respect, we are now relying on two factors. First, the main portion of these loans is classified as special loans, and the State Planning Commission and the State Economic Commission have to transfer special funds and materials for this purpose so as to ensure a balance between funds and materials. Secondly, we demand that every loan be coordinated with materials.

(4) Will Consumption Be Restricted by the Increase in Savings Deposits?

In outward appearance, when the total income remains unchanged and consumption is increased at a certain income level, savings deposits will be reduced; on the contrary, if savings are increased, consumption will be reduced. Actually, according to the order of economic life, there must be income before there can be consumption, and there must be surplus before there can be savings. Therefore, as long as the work of savings deposits is carried out in accordance with set policies whereby deposits and withdrawals can be made voluntarily and conveniently instead of being made under coercion, savings deposits cannot affect the sales of commodities. According to actual experience, however, consumption and savings grow simultaneously. In 1979, consumption by the urban and rural population increased by 16.7 percent and savings deposits increased by 33.4 percent (because of wage increase in that year). In 1980, consumption by the urban and rural population again increased by 22.1 percent, and savings deposits increased by 42 percent. Again in 1981, the consumption was increased by 11.9 percent, and savings deposits were increased by 31.1 percent. During the hard times in our history, both consumption and savings deposits were decreased.

There is also the problem of providing guidance in consumption. In other words, the purpose of developing savings deposits is on the one hand to transform consumption funds into construction funds, and, on the other hand, to provide guidance in consumption so as to raise the people's standard of living. Both requirements are indispensable. That is to say, savings lead to consumption, consumption promotes production, and production helps to increase savings

deposits as well as consumption. At the same time, in our work, we must adopt the policies and measures helpful in guiding consumption. For example, when the supply of commodities is fairly abundant, even to the point of stockpiling, the bank can consider granting loans to the selling party so as to promote sales, revitalize production and promote the circulation of funds for the enterprises. Loans can also be granted to the consumers, and some local banks have already begun their experiments in extending loans for buying commodity houses. This is just one example. In handling purchase savings, we should also bear in mind the need to guide consumption effectively. For example, we can accept deposits in small amounts to be withdrawn later in a large lump sum. This will help the masses accumulate their money in small amounts for the purpose of durable consumer goods. In rendering our service, we should also study the way to guide consumption more effectively so that our work in savings can be more flexible.

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FINANCE AND BANKING

PROBLEMS WITH STAGNATION OF CIRCULATING FUNDS CITED

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 18, 19 Sep 82 pp 1-5

[Article by Zhu Tianshun [2621 3944 7311]: "Vigorously Speed Up the Turnover of Circulating Funds"]

[Excerpts] The turnover of circulating funds has a bearing on the spheres of production, distribution, exchange, and consumption. It is the barometer of national economic activities, and it can determine whether the speed of industrial and agricultural growth is realistic or exaggerated. If the national economy develops harmoniously in a planned and proportionate way, circulating funds will take the course of a progressive spiral; otherwise, there will be a vicious cycle.

Circulating funds can serve as an instrument for checking the level of management in the national economy. The speed of the turnover of circulating funds, either accelerated or retarded, is closely related to the level of planning and management in production, technology, finance, production costs, and business operations. If the level of planning and management is low, if macroeconomic results and the overall balance are neglected, if production and marketing become disjointed, if technology is backward, and if inferior goods are sold at high prices, then overstocking will result, thus slowing down the turnover of circulating funds. That is why the responsible comrades on the Party Central Committee and the State Council are so concerned over the question of circulating funds and have called on us to include the management of circulating funds on the agenda of our important meetings in order to speed up the turnover of and gradually accomplish a progressive spiral for circulating funds.

How Circulating Funds Are Being Used at Present

In the first half of this year, the various departments and localities began to attach importance to an improvement of economic results, and efficiency in the use of circulating funds has been raised. The rate of increase in the use of circulating funds by state-run industrial production enterprises, as included in the national budget, was lower than that of the increase in revenue from production and sales; the circulating funds used for every 100 yuan in sales was 32.56 yuan—a 4.3-percent decrease below the same period last year. A new trend of increased output, increased sales, and quick

turnovers has begun. This shows the great achievements of the line adopted by the Third Plenary Session of the 11th Party Central Committee. Our national economy has already passed its most trying period and has begun to embark on the road of steady and healthy development.

However, the situation of excessive use of circulating funds, slow turnover of these funds, and poor results has not yet taken a basic turn for the better, and we still need to do a great deal of work for a long time. At present, the following problems should deserve attention:

First, capital construction ties up a fairly large portion of these funds during the upswing in heavy industry. This year, heavy industrial output is increasing every month. This is a sign of improvement in our national economy. However, according to the sales of heavy industrial products, the portion of funds being tied up in the expansion of capital construction is quite large. We must guard against any blind action in starting capital construction projects, because such action not only will disrupt the supply of materials by intensifying the pressure on the "three major materials" and energy and on transportation facilities, but also will increase the use of circulating funds.

Second, the overstocking of consumer goods for daily use is still quite serious. By the end of June this year, the proportion of finished goods in stock among state-run industrial production enterprises throughout the country was 10.8 percent greater than for the same period last year, and the circulating funds used amounted to 20 percent of the total amount, or 8 percentage points more than the 12 percent in normal years. Among the commercial departments throughout the country, the proportion of unsalable goods to the total amount of goods in stock increased by 33.3 percent over the same period last year, and the proportion of these goods to the total amount of goods in stock in the entire country increased from 9 percent at the end of June last year to 11 percent.

Third, in the course of marketing, there are too many intermediate links between supply and sales. It is true that intermediate links are entirely necessary for the distribution of supplies; however, if there are too many links, they can easily cover up the overstocking by moving the goods from one place to another and thus use up more funds.

Fourth, the turnover of circulating funds is still very slow. In the first half of this year, the number of days required for the turnover of circulating funds among the industrial enterprises throughout the country was 37.3 days more than the normal number in 1965. In the same period, the number of days required for this turnover among the departments under the former Ministry of Commerce was 34 days more than what was considered in the past to be satisfactory.

Such a situation in the turnover of circulating funds reveals several problems in the national economy.

First: a contradiction between speed and results, which is also shown as a contradiction between production and management. There is still a tendency toward stressing output value and speed but neglecting efficiency and management, or paying attention only to production but not to marketing. Some enterprises or localities "stress results" early in the month and "strive for speed" by the end of the month. They only pay lipservice to results and are actually striving for speed, and the overstocking of some goods is still very serious.

Second: a contradiction between microeconomic results and macroeconomic results. In some enterprises, production is determined by the amount of profits instead of by market demand. Cloth made of chemical fibers are now seriously overstocked because they can yield profits for the enterprises. The output value of polyester-cotton gray cloth is more than eightfold, and the profit it yields is six times that of pure cotton cloth. As a result, the enterprises gain the benefits and society has to suffer. Some light industrial goods cannot be sold because of their inferior quality and high prices, but the enterprises continue to produce them. If the commercial departments do not procure them, the plants will use the method of consignment as a means of covering up the contradiction between production and marketing.

Third: a contradiction between production and circulation. The lack of coordination between production and marketing between the cities and the countryside, between industry and commerce, between industry and foreign trade, within industry itself, and between wholesale and retail sales is now quite common. According to information from the Shanghai branch, commercial pharmaceutical products were seriously overstocked 2 years ago, but the industrial departments continued to produce them on a large scale, and the commercial departments were compelled to procure them. The losses incurred as a result of writing them off or selling them at reduced prices totaled some 21.33 million yuan. There was an upswing in the sale of pharmaceutical products early last year, but the commercial departments still asked the industrial departments to reduce their output. In the second quarter of the same year, the supply of some drugs was not sufficient to meet the demand; now, the commercial departments have requested that the output be greatly increased. Although the industrial departments overfulfilled the original production plan by 26 percent, more than 100 kinds of drugs were still out of stock.

Fourth: a contradiction between credit controls and local finance. Some localities are concerned only about financial revenues but pay no attention to social economic results. Some basic-level banks have also relaxed their credit controls.

These problems, which are rather common in our national economic activities at present, should be studied and gradually solved in accordance with the principles and policies of the central authorities.

What Principles Should Be Upheld in Handling Loans for Circulating Funds

In line with the requirements of the national economic readjustment, the principles which should be upheld in handling loans for circulating funds are as follows:

Promote and provide guidance to the industrial departments in the production of good, low-priced, easily marketable commodities. The relationship of commerce to production is that of promotion and guidance. Promotion means the promotion of economic development, and guidance means guidance to the production departments in the production of easily marketable products. The same relationship is suitable for banking. The bank's work in relation to production is not confined to the extension of loans. By strengthening its work in economic information, the bank should play its role as an economic lever in promoting and in guiding the production enterprises in producing new designs and varieties, in improving the quality of products, and in lowering production costs, so that easily marketable goods of good quality and with low prices can be produced.

Clear the channels for the circulation of goods, and readjust credit plans flexibly. A leading comrade on the State Council pointed out recently that two jobs should be attended to in solving the problem of serious overstocking. The first is to clear the channels for commodities between the cities and the countryside and to increase sales; the second is to carry out a timely readjustment of production plans and to restrict production. This means providing planning guidance in a flexible way. The bank also should, on the one hand, promote an exchange of materials between the cities and the countryside, and a balanced supply and demand, in wholesale as well as retail sales. On the other hand, it should flexibly readjust its credit plans on the basis of the readjusted production and production-restriction plans.

"Determine production on the basis of marketing," under the guidance of the principle of the leading role of the planned economy and the supplementary role of market regulation. At present, the poor economic results of circulating funds are evidenced mainly by slow turnover, unwanted products, and the overstocking which goes hand in hand with production. Therefore, we propose that loans be determined by marketing, so as to encourage production enterprises to determine their production on the basis of marketing, and to encourage commercial enterprises to determine their procurement on the basis of marketing. In short, we must all adapt our activities to social needs and produce more of those goods whose sales are brisk, restrict the production of those whose sales are sluggish, and halt the production of those which are unwanted in the market. However, the determination of loans on the basis of marketing must be carried out in accordance with the principle of the leading role of planned economy and the supplementary role of market regulation. Instead of "extending loans as long as the goods can be sold," we must also consider whether the loans conform to the goal of socialist production and state plans. Of course, production plans should also be consistent with market needs. At the same time, granting loans on the basis of marketing cannot be carried out in a vague and general way. We must seek truth from facts and study the turnover of funds, marketing funds, and other scientific accounting methods.

Carry out experiments with a floating interest rate. The Chongqing branch of the People's Bank recently tried out a floating interest rate for their loans, mainly for sales funds. Such an interest rate, which rewards the good and punishes the bad, is an important means for the bank to play its role as an economic lever. Other localities have also carried out this experiment and their experiences should be summed up. The key to the working of this rate is to find an advanced average level of the use of funds and turnover of funds. This level must be attainable, provided some efforts are made. As an economic lever, the interest rate should be able to play its role in setting up economic and technological indices to be used as the average level for the whole society. It should play its role in combination with taxation, pricing, and other economic levers. At the same time, there should be a limit to the floating character of interest rates. If some enterprises have been repeatedly punished and still continue to sell goods of inferior quality at high prices, or to produce goods in a sloppy way instead of mending their ways, the bank should stop granting them any loans.

In short, in the final analysis, the question of banking is an economic question, and studying circulating funds calls for the study of economic problems, the observation and analysis of various economic phenomena in production and circulation, concern for production, distribution, exchange and consumption, an in-depth, instead of perfunctory, implementation of the principle of improving economic results, and great efforts to accelerate the turnover of circulating funds.

9411

CSO: 4006/040

FINANCE AND BANKING

BANKS IN LIAONING INVESTIGATE ECONOMIC CRIMES

Shenyang LIAONING RIBAO in Chinese 20 Jul 82 p 1

[Article by Hou Ruifang [0186 3843 5364]: "Giving Play to Supervisory Role of Banks and Cracking Down on Economic Criminal Activities"]

[Text] In order to effect a coordinated crackdown on criminal activities within the economic sphere, people's banks at every level in our province organized over 600 cadres, who from 4 May to 10 June, carried out an investigation of the cash utilization of 2,774 units. They discovered that 556 units had serious problems, 20 percent of the total of units investigated. Of them, there were 21 cases involving the obtaining of illegal income to the tune of 10,000 yuan and above, the total amount of money reaching 1.37 million yuan. Legal sanctions have been imposed on a batch of offenders. The purchasing agent of the small shop attached to the civil administration welfare office in Xiongyue town of Gaixian County colluded with proprietor Yang Zhengjun [2799 2973 6511] and other people of the Xiongyue town fruit store to carry out profiteering activities. The purchasing agent of the small shop bought 300,000 jin of apples from the fruit store at 0.21 yuan per jin and sold them at 0.26 yuan per jin, obtaining the huge profit of 15,000 yuan, and Yang's share was over 7,000 yuan. He has been arrested and brought to justice. In Dalian Municipality, the office of the Shahekou District Bank made a detailed examination of wage payments and discovered that a certain factory in Dalian had made fraudulent applications and claims. Following this lead, the office found that this unit had opened an account in the bank which it rented out to lawless elements more than 30 times and these people had collected 20,000 yuan in so-called management expenses.

During their investigation, the banks, through an analysis of cases of economic crimes, integrated their findings with the reality of banking work, noted leaks, formulated measures, and further strengthened their management of credit, account settlement, and cash, so that the banks have truly become insurmountable barriers against economic criminal elements.

9727

CSO: 4006/591

FINANCE AND BANKING

BRIEFS

SAVING DEPOSITS--The amount of savings deposits in the cities and towns of our province has broken through the 1 billion yuan mark. At the end of June this year, the amount of money in savings accounts had grown by over 140 million yuan above that at the end of last year. In the first half of this year, savings in cities and towns increased progressively month by month by over 20 million yuan, and the number of people opening new savings accounts increased day by day so that there are now a total of over 6.09 million savers. This shows that the income of the broad masses of staff and workers and of residents has increased and their life has improved. In recent years the People's Bank has set up additional savings banks (boxes), opened more service windows, and added many new banking features such as fixed-sum deposits, interest-bearing time deposits, and housing savings that in many ways suit the masses' needs and make it more convenient for savers to deposit and withdraw money. [Text] [Fuzhou FUJIAN RIBAO in Chinese 18 Jul 82 p 1] 9727

CSO: 4006/591

DOMESTIC TRADE

IMPROVED CIRCULATION OF COMMODITIES URGED

Shijiazhuang HEBEI RIBAO in Chinese 16 Sep 82 p 4

[Article by staff correspondent: "Certain Provisions Concerning the 'State Council Decision on Improving the Circulation of Commodities in Urban and Rural Areas and Expanding the Sale of Industrial Goods in the Countryside'"]

[Text] The Hebei Provincial People's Government recently set down certain provisions concerning implementing the "State Council Decision on Improving the Circulation of Commodities in Urban and Rural Areas and Expanding the Sale of Industrial Goods in the Countryside." The full-text is as follows.

The "Decision" is a major reform of the currently existing commodity circulation system. Earnestly implementing the "Decision" will have a major impact on encouraging industrial and agricultural production, developing a commodity economy and enabling urban and rural markets to flourish. In order to successfully carry out the State Council's "Decision" in line with current conditions in our province, the following provisions were set down.

(1) It is necessary to implement the guiding ideology of the "decision."

The essence of the "Decision" of the State Council is to change the outmoded system of dividing up the circulation of industrial goods according to urban or rural areas and to set up a new system of opening up trade in urban and rural areas according to commodities. It is a new way to expand the sale of industrial goods in the countryside. State-run wholesale companies have undertaken full responsibility for overall planning in urban and rural markets and for resolutely breaking through local blockades. They must organize the circulation of commodities according to economically sound principles and send commodities that suit rural needs to the countryside. They must consult with the masses, expand sales and promote the continued development of industrial and agricultural production. When implementing the "Decision" of the State Council, it is necessary to focus on the basic starting point of expanding the sale of industrial goods in the countryside. All measures which are adopted must be of benefit to expanding the sale of industrial goods in rural areas and meeting the steadily increasing needs of peasants in production and subsistence. The main criteria for evaluating the implementation of the "Decision" is whether circulation channels are opened up, whether industrial goods suit the needs of the peasants, whether

the sale of industrial goods in rural areas has expanded and whether economic benefits have improved.

It is essential to strengthen political and ideological work while implementing the State Council's "Decision" and expand the sale of industrial goods in the countryside. It is necessary to earnestly study and grasp the essence of the "Decision" and to consciously solve questions regarding ideological understanding. In order to successfully carry out the "Decision" of the State Council, it is necessary to foster the ideology of "regarding the state as one big family," to keep overall interests in mind, to resolutely overcome the limitations of departments, to promote handling matters through consultation, to support each other, to take the whole situation into consideration and to work in full cooperation.

(2) County firms must emphasize wholesale trade.

County firms must be geared to the needs of the countryside. They must focus their strength on wholesale selling. They must clearly foster the ideology of having wholesale trade serve retail trade. They must treat basic level supply and marketing cooperatives as their own retail sales departments and improve ties between wholesale and retail trade. They must also rely on basic level supply and marketing cooperatives to successfully do work in supplying rural production materials and industrial products for daily use. As for the structure and arrangement of county firms, they must eliminate duplication and unite firms and wholesale trade. Firm management must directly take charge of wholesale operations. When wholesale strength is inadequate, it must be supplemented and improved.

County firms must have separate and independent accounting for wholesale and retail trade and they must assess operational results separately. The numerous county firms directly under retail sales departments may set up central stores and they may set up retail commercial managerial groups within firms to manage retail enterprises. Counties that have already set up retail companies must sum up their experiences and constantly try to perfect and improve on them. They must make every effort to manage them successfully.

(3) They must actively and cautiously extend the wholesale structure.

When designating points for extended wholesale distribution, it is necessary to adhere to economically sound principles, to have overall planning and to have rational distribution. It is necessary to select major towns that have convenient transport facilities and fixed supply areas. They must have a suitable operational volume and be concerned with economic benefits. The establishment of wholesale extensions at county junctions must be determined by the region.

When extending the wholesale structure, the main thing is to have wholesale outlets jointly run by the state and businesses. This will give full play to the superiority of the capital funds and the supply of goods of state-run firms. It will fully utilize the facilities and staff of supply and marketing

cooperatives and avoid duplicating construction. It will encourage comprehensive wholesale joint management and it will bring about the gradual development from jointly run single product wholesale trade to comprehensive jointly run wholesale trade. Jointly managed stores must emphasize wholesale selling and they must simultaneously manage wholesale and retail trade. Retail sectors must not do business with basic level cooperatives only for products in great demand. Jointly run stores must do what they can to directly stock up with second grade wholesale goods according to rational circulation and enjoy the benefits of third grade wholesale trade. County firms must do good organizational work. Those laying in stocks from county firms must settle accounts according to the price of purchased goods and actual shipment and miscellaneous expenses. Jointly run stores may independently procure varieties that are not available in second and third grade wholesale trade. As for the capital funds of jointly run stores, county firms must put in not less than 10 percent of the store's capital in the form of commodity appropriations. Insufficient county firm investments may be offset by bank loans to jointly run stores. If both parties in jointly run stores increase investments, they must equally calculate interest on bank loans including expenditures. Both parties must agree on profit distribution, on upholding the principle of mutual benefit and on conforming to the spirit of more profit for lower levels and less profit for higher levels. Taxes on the profits shared by both parties must be turned in according to the financial system currently in effect. Jointly run stores that function as independent enterprises must retain suitable construction funds. In jointly run stores that come under the dual leadership of county firms and basic level supply and marketing cooperatives, operational leadership must give priority to county firms and administrative leadership must give priority to basic level cooperatives. Jointly run stores must pay staff salaries and benefits.

As for the relatively small economic sector below the county level, state-run firms may entrust basic level supply and marketing cooperatives to carry out wholesale commission sales of industrial goods or wholesale trade on their behalf in order to make it easier for collective businesses and individual merchants to lay in stocks. Both parties must discuss and determine the discount rate in wholesale commission sales or the service charge for carrying out wholesale trade on their behalf according to the principle of mutual benefit.

It is necessary to continue to successfully run wholesale outlets which are direct extensions of existing state-run businesses. They may continue to experiment with structures that are direct extensions in qualified areas that require them. However, they must utilize existing facilities and strictly control basic construction.

Regardless of whether they have adopted the extended wholesale structure in qualified areas and areas that require it, they must all gradually coordinate expanding the sale of industrial goods in the countryside and the procurement of local agricultural by-products and scraps.

(4) They must actively and cautiously carry out reforms in agency sales and purchase stores in the countryside.

In the countryside agency sales and purchase stores have played a positive role in ensuring supplies in the countryside. With the developing circumstances, certain brigades have demanded that reforms be carried out in agency sales and purchase stores. It is necessary to maintain a positive and prudent attitude in carrying out these reforms. It is necessary to start with actual conditions and uphold voluntary participation while avoiding arbitrary uniformity. It is necessary to thoroughly familiarize cadres and the masses with the decision of the State Council and, in order to fully understand the gist of the decision, it is necessary to consult with them repeatedly. Production brigades must decide whether or not to carry out reforms and they must determine the kind of reform needed. If purchasing and sales agents deem it necessary and with the consent of production brigades, they may change the stores into brigade-run stores with business employees under contract to production brigades. If some production brigade cadres and masses want joint management with supply and marketing cooperatives, they may run experimental jointly managed stores. If large villages and towns want to change over to retail stores, they may do so. Well-managed existing agency sales and purchase stores that people are unwilling to change may raise service charges as appropriate. They must improve management and continue to be successfully run. Remote small towns that lack network outlets may establish sales agents and specialized agents.

Self-managed stores that are under contract to production brigades are collective commercial organizations run by the brigade. They are part of the economy in the socialist collective system of ownership and they are subsidiaries to state-run businesses. It is necessary to earnestly implement state policies on the supply of commodities as well as price policies and tax policies. It is necessary to accept the guidance of basic level supply and marketing cooperatives, to submit to the control of industrial and commercial administrative departments and to adhere to the management orientation of serving the people of that brigade. The form of the contracts must be varied and in line with local conditions. Contractors must not merely guarantee paid-in profits, they must also guarantee business hours, type of management, quality of service, etc.

Self-managed brigade stores must carry on business to meet the daily needs of peasants for kerosene, matches, table salt, lye, soap, soy sauce, vinegar, small articles for daily use and hardware. Originally, agency sales and purchase stores were run with a voucher system for commodities. After they were transformed into self-managed stores, they still sold goods for supply and marketing cooperatives on a commission basis. It is stipulated that self-managed brigade stores must prepare lists of essential commodities. The assortment of commodities must be increased not decreased. It is necessary to continue to do good work in purchasing local byproducts. Qualified brigade businesses must actively do good work in promoting the sale of the byproducts of their brigade and their handicraft items within the scope permitted by state policies.

Self-managed brigade stores may get their stocks directly from nearby state-run wholesale departments at wholesale prices.

As for the capital funds of self-managed brigade stores, emphasis is placed on the brigade raising funds. The masses may also pool their resources. Brigades that do not have sufficient funds may apply for loans.

Once agency sales and purchase stores have been transformed into self-managed stores, commodities and property transferred down by basic level supply and marketing cooperatives may be checked and sorted by purchasing and sales agents, brigade cadres and supply and marketing cooperatives. Funds that have been advanced by supply and marketing cooperatives should be paid back in one lump sum. As for commodities that were left behind by self-managed stores for continued sales, supply and marketing cooperatives must pay the service charge in one lump sum for commission sales according to regulations in effect. These commodities must be listed and registered. There is no need to pay taxes on them again. Particular products that are unmarketable or overstocked may be returned to basic level cooperatives.

(5) It is necessary to depend on basic level supply and marketing cooperatives to do good work in supplying industrial goods in the countryside.

Basic level supply and marketing cooperatives are the primary channel of exchange between urban and rural areas. The key to expanding the sale of industrial goods in rural areas is to give full play to the role of basic level supply and marketing cooperatives in increasing outlets and expanding the area of sales. State-run businesses must firmly foster the ideology of serving basic level supply and marketing cooperatives. They must treat them like they treat their own retail network outlets, they must actively support their management, help sustain their development and depend on them to do good work in supplying production materials and daily industrial products in rural areas. Wholesale enterprises must successfully run sample product offices and continue to support publicizing reserves and sources of goods. They must reduce wholesale starting points, simplify methods for laying in stocks, improve methods for settling accounts and continue to provide superior service. Basic level cooperatives which have taken in commodities from local wholesale enterprises that truly cannot be sold should be allowed to exchange them as long as they are undamaged and unopened. It is necessary to regularly convene conferences for heads of basic level cooperatives and purchasing agents. They must willingly seek criticism and improve their work in wholesale trade. Furthermore, they must regularly send salesmen to basic level cooperatives to learn about changes in the needs of rural markets, help them organize commodity sources that are appropriate for rural markets and revitalize operations.

Basic level supply and marketing cooperatives must fully appreciate their position and function in expanding the sale of industrial products in rural areas. They must also straighten out their management orientation and positively promote the sale of overstocked commodities in wholesale enterprises. They must prepare lists of essential commodities and increase

variety and assortment. In addition, they must frequently lay in stocks and sell them promptly so as to speed up turnover. They must encourage the five employees (purchasing agents, salesclerks, accountants, stock managers, and salesmen) to draw up plans for stocking goods to meet the needs of the market. It is necessary to implement the method of combining retail sales of goods with mobile sales of goods and to carry on traditions that are convenient for the masses such as carrying baskets of goods on shoulder poles and on their backs to sell in the mountains and in the countryside. This will make a contribution to expanding the sale of industrial goods in rural areas.

(6) They must give full play to the role of collective and individual businesses.

Collective and individual businesses in rural areas are a supplementary channel for expanding the sale of industrial goods in rural areas and it is essential to give full play to their positive role. It is also necessary to rectify existing collective and individual businesses and to strengthen their guidance so that they follow the correct course in their development. They must have overall planning in line with the actual needs of rural areas. They must develop whatever businesses they are lacking and make up for whatever deficiencies exist. At present, it is necessary to pay special attention to developing handicraft industries, repairing trades, service trades and collective and individual businesses that deal in tertiary small industrial goods. We must encourage them to go from village to village in rural areas and make up for deficiencies in order to serve the people.

State commercial enterprises must support the correct management of collective and individual businesses. They must treat them equally in providing commodity supplies. Industrial and commercial administrative departments must strengthen their management of collective and individual businesses so that they observe state policies and decrees and be law-abiding in running their businesses.

(7) They must earnestly implement the principle of giving priority to supplying the countryside with industrial products which are needed by both urban and rural areas.

Based on the spirit of the "Decision" of the State Council and the arrangements of commercial enterprises, without exception the 19 types of major industrial goods targeted by the provincial commercial bureau and supply and marketing cooperatives for distribution to meet planning goals in rural areas may not be confiscated by any level. Each and every level must check to see that this is carried out and ensure that these commodities really go to the peasants. It is necessary to promptly replenish those with disproportionate supplies. Wholesale enterprises must make separate arrangements for distributing products that basic level cooperatives are unwilling to accept because they are unmarketable in rural areas.

In addition to those 19 products, supplying all other industrial goods in the countryside that are suitable for rural markets must be given precedence.

Sectors in charge of supplies and construction materials at all levels must list rural targets for steel materials, cement, glass, etc. needed in rural housing construction according to the situation regarding sources of supplies. Goods and construction material sectors that do not have retail network outlets must distribute their goods to basic level supply and marketing cooperatives to deal with the job of providing supplies.

(8) They must strive to launch activities to promote the sale of industrial goods geared to the needs of rural areas.

Rural areas are a major market for industrial goods. Commercial sectors at all levels must shift the focus of attention in expanding the sale of industrial goods to rural markets.

In order to expand the sale of industrial goods in rural areas, second grade centers and county firms must hold meeting to order goods, replenish supplies and expand sales. They must also set times and places for mobile wholesale trade. Furthermore, they must organize ranks of salesmen for industrial products to actively promote the sales and stocking of commodities.

Second and third grade wholesale enterprises and retail units must all set up lists of essential commodities. This is a prerequisite in examining enterprises. As for commodities needed by the masses, they must see that wholesale trade is well-supplied and that retail trade displays all their stock.

Enterprises doing all grades of wholesale trade must adopt flexible management measures against overstocking inventories of commodities. They must encourage retail enterprises to stock up on goods and actively expand their sales. Some could adopt the method of obtaining goods first and deferring payments. Some could adopt the method of moving inventories through commission sales. Others could adopt the method of increasing sales commission rates and wholesale enterprises could hand over the profit to retail enterprises. As for expensive durable consumer goods, they could adopt the practice of installment payments for cadres, staff and workers.

(9) They must improve operational management and improve economic benefits.

Upgrading economic benefits is at the heart of all economic work. Every commercial enterprise must focus on this key issue and perfect operational management to increase economic benefits.

Commercial enterprises at all levels must actively strengthen and set up economic accounting systems. They must establish and perfect the system of responsibility in management. By improving economic analyses, adopting measures that are most economically sound and organizing the circulation of commodities, we can accelerate capital turnover, reduce management links and reduce circulation costs. When establishing and perfecting the system of responsibility in management we must implement the policy of distribution according to work, arouse the enthusiasm of cadres, staff and workers and do good work in buying and selling.

Wholesale enterprises must improve market surveys and market forecasts. They must improve the planning phase of management and provide a rich array of marketable commodities to retail enterprises. It is necessary to improve the coordination of plans in second and third grade wholesale trade and between wholesale and retail trade. When local second grade wholesale enterprises have stocks, third grade wholesale trade should not make purchases from outside areas. When local third grade wholesale enterprises have supplies, retail units should not go outside the area to make purchases in order to prevent duplication of stocks which would create more overstocking.

Wholesale enterprises must not inflexibly lump commodities together for sales to retail units. Retail enterprises have the right to reject the arrangement. Wholesale enterprises must ensure the supply of planned commodities to retail enterprises.

All wholesale and retail enterprises must promptly deal with damaged commodities. All losses that occur are part of the operational profits and losses of enterprises. With the exception of other state regulations, there is no need to owe money.

(10) They must strengthen leadership.

The weakest link in all economic work at the present time is commodity circulation. There are many problems which have affected the development of industrial and agricultural production and the supply of production and consumer materials. It has also influenced the rational growth of state and local financial revenues. The people's government at all levels must focus on these problems. Each locality, municipality and county must charge the assistant director, the deputy mayor and the deputy governor with responsibility for this task. According to the spirit of the "Decision" of the State Council and its provisions, they must integrate the conditions of that area, make specific plans and work on reforming the commercial system. Furthermore, they must pay attention to summing up their experiences and continuing to perfect and improve on them. Departments in charge of commerce, supply and marketing, goods, construction materials, industrial and commercial administration, property taxes, banks, communications and transportation must be closely coordinated. They must make a contribution toward expanding the sale of industrial goods in rural areas. Before the end of September of this year, they must successfully open up channels for the circulation of commodities in urban and rural areas and hail the arrival of a thriving period of buying and selling in rural areas.

9864

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TRANSPORTATION

TEXT OF REGULATIONS ON IMPROVING HIGHWAY TRANSPORTATION

Beijing ZHONGHUA RENMIN GONGHEGUO GUOWUYUAN GONGBAO in Chinese 15 Aug 82
pp 549-552

[Text of Provisional Regulation for Improving and Strengthening the Management of Highway Transportation--Jingjiao [Economy-Communications] No 84 (1982), Promulgated on 11 June 1982 by the State Economic Commission and the Ministry of Communications]

[Text] Highway transportation is an important component of the communications and transportation system in our country. During the readjustment of the national economy, it must be actively readjusted, conscientiously reorganized, and systematically developed in order to provide safe, high-quality, highly productive, and low-consumption transportation to serve the construction of the socialist four modernizations.

All provinces, municipalities, and autonomous regions must attach great importance to the work of highway transportation, must provide more active leadership, and, in accordance with the principle of helping production and conserving energy in an economically logical way and under overall planning, must gradually restructure the system of vehicle transportation management, readjust the division of transportation work, and fully arouse enthusiasm in various quarters, so that highway transportation will be more efficiently managed and revitalized to better serve industrial and agricultural production as well as the people in their daily lives.

I. Readjustment of the Division of Work in Highway Transportation

To improve and strengthen the management of highway transportation, all vehicles engaging in highway transportation will be classified into business transportation vehicles and nonbusiness transportation vehicles, with each class bearing its own distinctive sign for easy identification.

Nonbusiness transportation vehicles refer to the private vehicles used by units to serve their own production and their own workers and staff members, without involving the payment of transportation charges by other units or individuals. All other vehicles are considered to be business transportation vehicles.

Business transportation vehicles should undertake transportation tasks within the zones and along the routes prescribed by the provinces, municipalities, and autonomous regions. In serving all trades and undertakings, the business transportation vehicles of the transportation departments should pay particular attention to the handling of key items, supplies in large lots, and materials for collection and distribution in the ports and railway stations. The business transportation vehicles of nontransportation departments should mainly serve the transportation requirements of their own departments. When they have time to spare, they can undertake the task of transporting social material supplies.

Private vehicles approved for use by government offices, social groups, schools, and army units should undertake the transportation of materials required for production and livelihood within their own units. If necessary, they can participate in business transportation under the unified arrangement of the transportation departments.

Motorcars and tractors used in agriculture are intended mainly for agricultural production. The scope of their use in nonbusiness transportation should be based on the State Council's Banfa [Staff Office Document] No 38 (1982), entitled "Notice Concerning the Scope of Nonbusiness Transportation for Tractors Serving Agriculture."

II. Strengthening the Management of Highway Transportation

Transportation departments in charge at all levels must strengthen the management of highway transportation. All units and individuals engaging in highway transportation and handling the jobs of hauling, loading, and unloading must comply with the following regulations:

1. They can start their business operations, and the bank can open their accounts, only when they have received their business license. Their application for a license must be accompanied by the written concurrence of the transportation department in charge at or above the county level, in collaboration with the relevant departments, based on transportation needs; it must be approved by the industry and commerce administration departments.
2. They must abide by the state policies, decrees, and the relevant regulations for transportation management, and must accept the control and supervision of the transportation departments in charge.
3. They must use the unified invoices and vouchers of the provinces, municipalities, and autonomous regions (separate regulations will be set for international transportation), and there must be standard charges; otherwise the financial departments will not approve the expenditures involved. The handling of invoices and vouchers should be simple and convenient.
4. They must submit their transportation plans and statistical data to their local departments in charge.

5. They must pay management fees according to provincial, municipal, or autonomous region regulations.

Transportation departments in charge must cooperate closely with the industrial and commercial, finance and tax, price administration and banking departments and exercise their supervision and inspection effectively. Violations of regulations for the management of transportation will be dealt with by the transportation departments in charge, in collaboration with the industry and commerce administration departments, in different ways according to the circumstances of the cases--for example, criticism and education, economic sanctions, suspension of business by revoking licenses, and so forth.

In accordance with the spirit of the State Council's "Directive Concerning More Active Market Management and the Crackdown of Speculation and Profiteering and Smuggling," private individuals are not permitted to buy cars or tractors to engage in business transportation.

III. Strengthening the Control of Profits, Taxes, and Transportation Charges

To improve their business management and to fulfill their economic responsibility, all enterprises and individuals engaging in business transportation, including loading and unloading, must strictly abide by the schedule of charges set by the state, and must turn in their profits and pay their taxes according to state regulations.

To check the tendency toward uncontrolled acquisition of private vehicles, the economic method of charging for the possession of vehicles will be adopted in future; in addition, there will be strict control over the allocation of vehicles. The Ministry of Communications and the Ministry of Finance must select as soon as possible a prefecture (municipality) in a province (autonomous region) as an experimental unit for levying fees for the possession of vehicles, and must draft the relevant procedures. These fees should be handed over to the finance departments at the various levels.

The communications and price administration departments at all levels should strengthen their control over the current charges for vehicle transportation, and any unreasonable charges should be gradually revised. The Ministry of Communications should collaborate with the Ministry of Finance and the State General Administration of Prices in working out methods for the nationwide control of vehicle transportation charges and a unified standard for computing the charges. The transportation departments (bureaus), finance departments (bureaus), and price administration bureaus in all provinces, municipalities, and autonomous regions should work out their own detailed rules and regulations for actual implementation and for the schedule of charges in the light of actual conditions in their own areas. These rules and regulations and schedules of charges should be submitted to and approved by the people's governments in the various provinces, municipalities, and autonomous regions before their implementation. Reports on them should also be forwarded to the Ministry of Communications, the Ministry of Finance, and the State Administration of Prices for their files.

IV. Organizing the Combined Management of Vehicle Transportation Enterprises

Combined management of vehicle transportation will help to prevent blind development, duplicate construction, and waste of energy and power resulting from decentralized management. Based on the principle of voluntary cooperation and mutual benefits, the vehicle transportation enterprises of different organizational affiliations and under different systems of ownership should be organized into integrated entities to carry out joint business operations.

Different areas and units can organize their own integrated transportation entities in different forms according to the different actual conditions. They can adopt the form of "unified operation, differentiated administration, joint partnership, and distribution of dividends according to shares," in joint ventures, or the form of "combined management, revenue breakdown, separate accounting, and separate responsibility for profits and losses" in combined operation. They can also be organized for unified control over the sources of goods and unified arrangements of transportation facilities in joint transportation. The forms can be many and varied.

V. Practising Planned Transportation and Inaugurating a Joint Transportation Service

In highway transportation, we should adhere to the principle of the leading role of planned transportation and the supplementary role of market regulation. Empty runs must be strictly controlled, and rational transportation should be carefully organized in various forms. For the transportation of key state items and large lots of supplies, or whole consignments of goods across regional or county boundaries; and for the collection and distribution of materials at ports or railway stations, the transportation departments in charge under the people's governments at various levels, or their designated units, should be responsible for balancing the sources of goods with the transportation capacity and then allocating the loads in a rational way. Preferential rates should be given for goods requiring round trips. Transportation enterprises supplying return loads for others should receive certain handling fees.

Active steps should be taken to establish joint transport service companies that not only will undertake transportation for the cargo owners, but also will organize loads for the vehicles of transportation enterprises in promoting joint transportation service.

VI. Attending to the Storage of Vehicles and Conservation of Gasoline

In accordance with Central Document No 20 (1981) issued by the State Council and the Central Military Commission, entitled "Notice Concerning the Conservation of Petroleum," State Council Directive No 3 on energy conservation, and the regulations contained in other relevant documents, the people's governments of all provinces, municipalities, and autonomous regions must carefully attend to the work of vehicle storage and gasoline conservation. They must carefully determine the number of cargo trucks

required, in light of the available transportation facilities in society and of traffic conditions, and must store the surplus vehicles. The surplus cargo trucks of enterprises and public agencies directly under the various ministries and commissions of the central government should be sealed for safekeeping under the unified responsibility of the people's governments of provinces, municipalities, and autonomous regions. During the period of storage, the license plates should be returned and no more gasoline will be supplied, while the vehicles should be carefully preserved. Outdated and obsolete vehicles which consume an excessive amount of gasoline and whose performance is poor after long use should, after due appraisal, be written off from the list of fixed assets. They cannot be transferred to others for continued use. In future, any vehicle added to the cargo transportation fleet of any unit must previously have been approved by the departments designated by the people's government of the province, municipality, or autonomous region before they can be duly registered. In areas where the means of transportation is excessive to the volume of traffic, the acquisition of new vehicles must be accompanied by the withdrawal from service and the storage of a corresponding number of old vehicles, so that the new ones will replace the old ones and a waste of energy and power can be prevented.

VII. Improving Management and the Quality of Service

To help promote specialization and cooperation, to increase transportation efficiency, and to conserve power and energy, transportation vehicles of the transportation and nontransportation departments should be organized for independent accounting, while an all-around reorganization should be carried out among the enterprises in a planned way along with the adoption of the system of economic responsibility. Every effort should be made to improve economic results. The relevant departments under the State Council, the provinces, the municipalities, and the autonomous regions should give preferential treatment in the allocation of vehicles, extension of loans, and supply of fuel to those enterprises engaged in the business of transportation.

Transportation enterprises under the transportation departments are the backbone of highway transportation in our country and should be vigorously supported and selectively developed. In dealing with their affiliated transportation enterprises, transportation departments should gradually introduce the system of separation between government administration and enterprise management, expand the decision-making power of the enterprises, and bring into full play the initiative of the enterprises. Each and every transportation enterprise should replenish its fleet in a planned way, using more heavy-duty diesel trucks, small pickups, and various types of special vehicles to meet the needs of transportation for various types of material supplies in society. At the same time, they must conscientiously overcome their "bureaucratic workstyle," improve their service, raise their transportation efficiency, establish a good reputation, and serve the construction of the socialist four modernizations and the people's livelihood more effectively.

All provinces, municipalities, and autonomous regions can work out their own detailed rules and regulations in accordance with the spirit of these regulations and in the light of actual local conditions.

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